FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,602 Monday October 19 1981

CONTINENTAL SELLING PRICES: AUSTRIA Sch. 15; BELGIUM Fr 30; DENMARK Kr 6.00; FRANCE Fr 4.50; GERMANY DM 2.0; ITALY L 1,000; NETHERLANDS Fl 2.25; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pta 75; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 42p; MALTA 25c

NEWS SUMMARY

Socialists win in Greek elections

Mr Andreas Papandreou's Panhellenic Socialist Movement last night swept to a massive victory in the Greek general elections, bringing the left to power here for the first time in half a century.

Within 20 minutes of the first returns Mr George Rallis, the outgoing Prime Minister, appeared before the Press to concede defeat.

"The people have decided, and the opposition have won. The result must be respected by all," he said.

Of the 14 parties contending, the major three are New Democracy (which won 42 per cent of the vote and 171 seats at the last election in 1977), PASOK (25 per cent and 93 seats) and the Moscow-aligned Communist Party (KKE), which last time gained 10 per cent.

Mr George Rallis, the outgoing Prime Minister, has warned insistently of the dangers represented by Mr Papandreou's radical socialist programme.

Under the country's complicated electoral system, one party is reckoned to need a 7 or 8 per cent lead over its rival to be sure of an overall majority. According to the constitution, Mr Constantine Karamanlis, the President, will today summon the leader of the largest party to form a government.

GENERAL

Search for Ben Dunne continues

The search is continuing in Ireland for Mr Ben Dunne Jr, son of one of Ireland's best known businessmen, after police had stopped an attempt by his family to pay a ransom of I£500,000.

Nott visits General

Lieut Gen Sir Steuart Pringle, victim of an IRA booby-trap bomb in South London on Saturday, was visited in hospital yesterday by Mr John Nott, Defence Secretary, who called him a man of "great courage."

Carron visa veto

Mr Owen Carron, who succeeded hunger-striker Mr Bobby Sands as MP for Fermanagh and South Tyrone, has been refused a U.S. visa. He was due to make speeches in six cities and meet Congress members.

Dayan buried

Moshe Dayan, Israel's prominent soldier, war hero and statesman, who died of a heart attack on Friday, aged 66, was buried yesterday in a simple funeral at his boyhood village of Nahalal, Galilee.

Egyptian arrests

Egyptian authorities said they had arrested 230 members of a Moslem fundamentalist organisation plotting further assassinations. In Sudan more than 10,000 have been detained in the past eight weeks in an attempt to counter Libyan-inspired subversion.

Anti-Nato march

At least 13,000 took part in an anti-Nato demonstration in Barcelona, Spain, yesterday. A newspaper poll showed that if there were a referendum only 14 per cent of Spaniards would vote to join Nato.

Bingo inquiry

Mr John Fraser, shadow consumer affairs spokesman, will press Mr John Biffen, Trade Secretary, for an inquiry into the escalating bingo war in Fleet Street.

Prosser request

The Howard League for penal reform has asked Mr William Whitelaw, Home Secretary, to order an inquiry into prison conditions surrounding the death of Barry Prosser, following a magistrate's decision that there was insufficient evidence to try three prison officers on a murder charge.

Briefly . . .

Nelson Piquet of Brazil won the World Driving Championship after coming fifth in Las Vegas Grand Prix.

John McEnroe won the Australian indoor tennis title in Sydney.

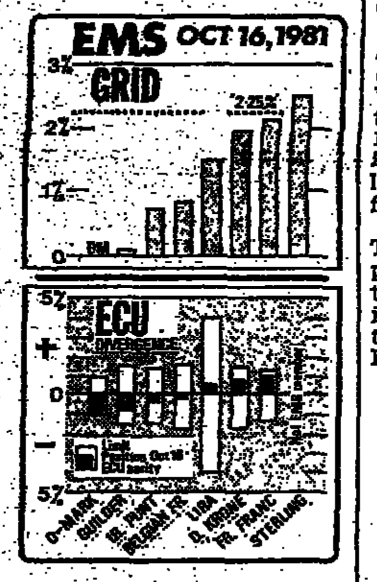
At least six were killed and 70 injured by an earthquake in Colombia yesterday.

BUSINESS

Support for EMS costs £17.5bn

● EEC central banks spent £17.5bn ($32.4bn) on currency intervention in the first two years of the EMS in efforts to smooth the dollar's fluctuations against EMS currencies and to stifle upward pressure on West German interest rates. Page 2

● *CURRENCIES* traded comfortably within their agreed limits in the European Monetary System last week. There was little pressure within the system. The French franc was the stronger member most



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit, (ECU), itself a basket of European currencies.

of the week, relinquishing that position only on Wednesday to the Danish krone, and showed little movement in spite of further cuts in domestic interest rates. The D-mark remained the weakest currency followed closely by the Dutch guilder. The guilder showed little reaction to news that the Dutch Government had submitted its resignation.

● *DIXONS*, photographic and electronics retailer, accused British Telecom of obstructing the liberalisation of the telephone monopoly. Back Page

● BRITISH TELECOM has linked with U.S. computer bureau Dialcom to market automated office services. Back Page

● BRITISH Aerospace is bidding for a share of the big U.S. military aircraft venture the VTX-TS. Back Page

● BURNETT AND HALLAMSHIRE, coal, oil and property group, intends to acquire Anglo International Mining Corporation in an agreed bid worth £29.8m. Page 14

● *JOHNSTONE'S PAINTS* is placing 1.575m shares on the Unlisted Securities Market. Page 14

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Kania replaced by Jaruzelski as Polish party leader

GENERAL WOJCIECH JARUZELSKI, Poland's Army Chief, took over leadership of the ruling Communist Party yesterday as it issued its toughest attack on the Solidarity Union and demanded an immediate ban on strikes.

The 58-year-old Soviet-trained General replaced Stanislaw Kania, who was accused of being soft on the free trade union movement.

The party's 200-member central committee warned that the authorities would use the full force of law to defend vital state interests in the face of "a threat *to the nation's existence.*"

The committee resolution demanded that Solidarity leaders immediately halt all strikes, cut links with anti-Communists and accept a constructive approach to government *efforts to overcome* Poland's economic crisis.

The committee said it was in favour of the policy of peaceful dialogue but demanded the renegotiation of all union-government agreements.

The party body called on Communists deputies in the Sejm (Parliament) to approve a law banning strikes.

The central committee statement fell short of demanding an *immediate declaration of a state* of emergency, though it hinted that this remained an option.

There was no immediate response from Solidarity, but union sources said they expected the leadership to protest vigorously *against any moves to deny* the union its hard-won right to strike, and to tamper with the concessions wrested from the Government.

General Jaruzelski, who is expected to stand down as Prime Minister and Defence Chief, received 180 of the 184 votes cast in the leadership ballot, the official news agency, PAP said.

The General has made little impact on the public in his nine *months as Prime Minister.* He came to office with an economic recovery programme which fell apart, and a call for a 90-day strike moratorium which was only partly respected.

But official sources said his presence at the top was a guarantee that, for the moment, the policy of dialogue would be continued.

Mr Kania's downfall, on the third day of a central committee meeting, was the second change in party leadership in the last 20 months, during which there have been four prime ministers and countless Cabinet shakeups.

He took over in September *last year* while the ink was drying on the Gdansk strike accords which gave birth to Solidarity. His career at the top was marked by successive crises as the new labour movement fought to reduce Com*munist Party* domination.

Solidarity's first national congress, which ended earlier this month with calls for further *drastic curtailment of* Communist power, appeared to have split Mr Kania's doom.

Officials said 54 per cent of the central committee members voted today in favour of accepting his offer to resign.

The committee then said: "Solidarity's leadership unilaterally broke the social agreements, usurping the role of an over-riding power, imposing its will on society, the Sejm and the Government.

"In this way, the Solidarity leadership has embarked on a road contrary to the interests of the nation, the state and above all the working class."

The resolution said:

The central committee's resolutions demanded that the Solidarity leadership should:

● Respect the constitution of the Polish People's Republic and the binding legal order.

● Dissociate itself from enemies of Socialism.

Reuter

Poland in the hands of a general, Page 2

Treasury plan likely to be opposed by senior Ministers

BY *PETER RIDDELL*

TREASURY MINISTERS will tomorrow offer to the Cabinet the choice between, on one hand, help to industry and lower interest rates, and, on the other, higher personal taxes and continued high interest rates. The outcome will depend on decisions on public spending due to be taken in the next month.

There are *increasing signs*, however, that a sizeable number of senior Ministers rejects this choice and framework for deci*sions. They will not only oppose* calls for further spending cuts but will press for increased expenditure in certain areas.

The Treasury has presented a paper showing that revised estimates and new bids from Whitehall Departments add up to total spending for the 1982-1983 financial year of more than £6.5m above the path indicated last March in the medium-term financial strategy.

The central *theme of the* Treasury's case is that if a large part of the excess is eliminated there will be scope for lower interest rates and for a reduction in the employers' National Insurance surcharge to help industry, a step now favoured by both the Prime Minister and the Treasury.

A hint is also offered of possible cuts in personal taxation in the spring Budget if all goes well over the winter, especially over public sector pay.

In contrast, the Treasury warns that if public spending is *not reduced well below cur*rently projected levels, public-sector borrowing and interest rates will remain unacceptably high and taxes will have to be raised next spring.

The Treasury's view is rejected by many other Ministers. The striking feature of last week's Conservative Party Conference was that the critics of the Treasury now include some Ministers previously counted as *supporters, however reluctant*, of the strategy.

They are concerned about both some of the detailed cuts proposed and the overall implications for the Tories' chances at the next General Election.

The Treasury recognises that not all the excess above the medium-term strategy projections can be eliminated. Bilateral discussions between the Treasury and the rest of Whitehall have identified cuts totalling about £3bn, apart from the rejection of new projects.

Among the options are:

● Reductions in the real value of unemployment, supplementary and other short-term social security benefits, from November next year (the idea being that these benefits might be raised by 5 percentage points less than the inflation rate at a time when the real earnings of those in work were also falling);

● Cut in some industry aid schemes and regional grants;

● A further review of the defence budget, including, possibly, postponement of the Trident programme;

● *Charges for some educational services;*

● Reductions in local authority expenditure, though the *Treasury recognises that even*

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Crucial phase for Thatcher, and Trouble for Foot, Back Page
Contradictory council spending targets, Page 6

Russians fly gold bullion to London

BY DAVID MARSH

THE SOVIET UNION, which has sharply increased gold sales to the West since the summer to bolster its flagging finances, has started to make discreet direct bullion deliveries to London for the first time for *several years.*

Small trial amounts of a few tonnes have been brought into Heathrow in the past few *months by the Soviet airline* Aeroflot.

The Russians, who like to keep details of their gold *marketing secret*, favoured London as a supply route in the 1960s, but switched most of their physical deliveries to Zurich about 10 years ago.

This was because the Swiss banks, apart from the traditional advantages of banking secrecy, could offer better security arrangements at Zurich Airport than at Heathrow, where the Russians have criticised security as too lax.

London's apparent return to favour reflects the efforts by the world's Number Two gold-producer to diversify sales. The bulk of Soviet gold sent to the West is still physically supplied through Zurich.

But increasing amounts are traded through London dealers as part of Moscow's efforts to sell more gold without unduly depressing the price.

Russian bullion supplies are *notoriously difficult to estimate* because the Soviet bullion marketing bank, the Zurich-based Wozchod Handelsbank, makes efforts to mask the degree to which it makes net sales. But bullion dealers in London and Zurich believe the Russians may have unloaded so

Continued on Back Page

China wants joint oil ventures in five-year plan

BY ALAIN CASS, COLINA MACDOUGALL AND TONY WALKER IN PEKING

A SUBSTANTIAL number of large projects in China's forthcoming five-year plan will take the form of joint ventures with foreign companies, according to a member of Peking's top leadership.

Gu Mu, the vice-premier with special responsibility for foreign economic relations, said in an interview that in *each of the five coming years* there would be new projects in coal, petroleum, railways, port construction and hydro-electric power.

He said that an outline of the plan would be discussed at the National Peoples' Congress (China's parliament) in November.

It seems clear that a dispute about China's economic priorities in the next few years is continuing within the leadership in the wake of last year's massive expenditure cuts.

In the first public mention of *the plan, Gu Mu said the num*ber of big projects in the next five years "would not be many. What we want to do mainly is renovate China's existing 300,000 plants."

Borrow

China's willingness to borrow money abroad will be crucial in determining how much foreign technology it can absorb in the next few years.

Some officials in Peking have implied that there is disagreement between China and the *International Monetary Fund* over the terms and conditions under which Peking can draw the second tranche of its SDR 1.8bn (£1.16m) quota.

Although this is officially denied, China is certainly keen to borrow substantial funds both from the IMF and the World Bank, while there is undoubtedly an obstacle to further borrowing from the IMF.

Outlining China's policy towards the IMF, Gu Mu said: "If we use IMF money we should give them information as to the nature and scale of the project, but this should never go as far as interfering in China's sovereign right. We will never allow that."

Railways

The energy sector will be an *important focus of* China's economic development over the next five years.

"Big investment" would be required to build railways and ports in China's north-west Shanxi province to transport coal.

In the south west province of Guizhou China has 14bn tonnes of coal reserves. It wants to exploit this as well as extending the railway and ports in neigh*bouring Guandong province to* ship the coal.

Outlining the economic strategy for the next few years, Gu Mu said China would call for bids on some of its offshore oilfields in December.

More than a dozen companies involved in exploration off China's eastern seaboard are anxiously waiting to see what terms they will be offered.

After two years of big *deficits, Peking* expected 1981 to come within $3.4bn (£1.8bn) or $5bn (£2.7bn) of balancing its budget this year. In 1979 and 1980, China had deficits of $25.5bn and $18bn respectively.

International Tin Council raises intervention levels

BY JOHN EDWARDS, COMMODITIES EDITOR

A RISE of 6.85 per cent in International Tin Agreement floor and ceiling prices was finally agreed in Kuala Lumpur after three days of tough bargaining between producing and consuming countries at the International Tin Council meeting.

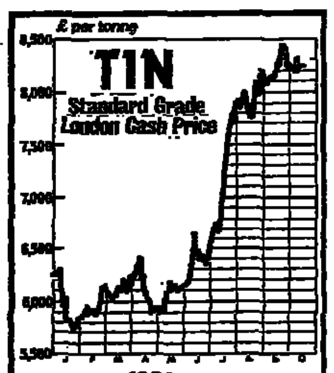
The size of the increase was limited, at the insistence of consumers to 6.85 per cent, to avoid providing a guaranteed profit for operators who have pushed up tin prices to record levels durin gthe past three months by buying up available supplies.

Delegates said, however, that considerable uncertainty remains over the future trend in actual tin prices.

The International Tin Agreement, between the major exporting and importing countries, sets target floor and ceiling levels which are defended by use of a buffer stock, with surplus tin either bought in or any tin held in the buffer stock sold as necessary.

If the price range increase *had been any higher* then operators, who have so far spent £300m, would have been able to sell their built up holdings to the buffer stock at a profit.

If they decide to sell, as delivery dates of purchases made in July fall due in the weeks ahead, prices could collapse. But if instead they buy more, the market could be starved of supplies and prices could rise further.



Under the deal reached at the Tin Council meeting the agreement's floor price goes up from 27.28 to 29.15 Malaysian ringgits a kilogram, and the ceiling from 35.47 to 37.89 ringgits. The lower range in which the buffer stock must be a net buyer is now between 29.15 and 32.06 ringgits.

The upper (selling) range is 34.98 to 37.89 ringgits. Current market price in Penang, on which the range is based, is 35.56 ringgits, putting it right in the middle of the upper range. It would have to fall below 32.06 ringgits before the buffer stock can start to buy.

Some consumers — notably Britain — wanted to defer any *decision until the January meet*ing, giving the market manipulators a further three months to wait.

But the breakthrough came on Saturday morning when other members of the EEC finally persuaded Britain and West Germany to agree a common stand, and the U.S. gave way too.

Neither producers nor consumers are very happy about the compromise. Bolivia, in particular, was upset. However, Mr Peter Lai, chairman of the Tin Council, claimed the way was now clear for ratification of the sixth International Tin Agreement, due to come into force next June when the present pact expires.

Poducers' *demand for a price* rise were rejected at both the previous Tin Council meetings in April and July creating considerable ill-feeling and the threatened formation of a producers' cartel.

Arab Insurance Group launched

BY JOHN MOORE IN BAHRAIN

THE ARAB Insurance Group, the newly-formed Middle-East *insurance company backed by* $3bn (£1.6bn) of capital from Kuwait, Libya and the United Arab Emirates, was officially *opened in* Bahrain at the weekend.

The group, which aims to challenge the position of major insurance groups and Lloyd's of London in world insurance markets, has doubled its projected targets and expects to accept insurance premiums amounting to $100m by the end of 1982.

Mr Peter Green, Lloyd's chairman, who was present at the opening ceremony, said that Bahrain would not be able to challenge London as an insurance centre.

"If you are going to be a force in world markets you have to be domiciled in one of the world centres," he said.

"I do not see Bahrain, with *all its attractions, taking over* from London. You need all the other supporting services which go with an insurance market — the banks, the brokers, the people. You do not run an insurance centre without a lot of people behind it.

"There has been no insurance infrastructure so far of any significance in Bahrain, but it may grow."

Mr Green also warned the new company that it should not "run before it could walk."

The Arab Insurance Group, one of the most ambitious insurance projects ever launched, is understood to have received more than $17m in premiums since it started operations in July.

The group will initially concentrate on reinsurance business — insuring other insurance groups — and has a paid-up capital of $150m. It is looking at possible sites in London for the establishment of an office which will accept business.

Lloyd's has said that it is prepared to assist in a training programme, and the group plans to build an Arab Insurance Institute in Bahrain. A 10,000-sq yd site has been set aside for construction of the institute, which may cost $50m.

Mr Fawzi Mussaad al-Saleh, chairman of the Arab Insurance Group, described the launch as "the beginning of a major development in world insurance."

A senior executive with the Swiss Reinsurance Company, one of the world's largest reinsurance groups, said yesterday that the new Arab group "have still to find their way and establish a strategy."

Schmidt returns to face budget financing problem

BY ROGER BOYES IN BONN

WITHIN HOURS of leaving hospital after heart surgery, Chancellor Helmut Schmidt of West Germany was yesterday faced with a serious budget financing problem that is sure to place renewed strain on the Social Democrat-Free Democrat coalition government.

Herr Schmidt, looking relatively fit but much thinner after the insertion of a heart pace-maker, indicated that he would chair a coalition meeting due last night aimed at finding an additional DM 4bn to DM 6bn (£975,000 to £1.46m) for the 1982 budget.

Negotiations on the budget last month brought the coalition close to breaking point because the proposed savings cuts challenged so many of the parties' fundamental tenets.

The coalition has now been confronted with the need to find further savings, and thus re-open the old wounds, because some of the basic assumptions of the 1982 draft budget are proving too optimistic.

During the inter-party rowing over the budget last summer, it was above all Chancellor Schmidt who managed to keep the coalition together. Despite his recent illness, he is clearly viewed as indispensable as a conciliator in the latest negotiations.

Herr Schmidt: back at work

The talks are expected to last several days and the goal will be to include any new measures within the existing 1982 draft budget rather than in a supplementary budget.

The fresh financial problem has two causes:

● The speed of West Germany's economic recovery appears to have been misjudged. Unemployment will exceed the original estimate of 1.4m next year, and the Federal Labour Office will require more than the allotted DM 4.1bn for 1982.

I fthe jobless level reaches 1.5m the Labour Office will need a further DM 1.2bn. The current year's unemployment level has already exceeded expectations and some DM 300m-DM 500m will have to be found. Tax revenue will also be lower than anticipated.

● The structural and cyclical crises in the steel industry have meant that Bonn has to finance a limited subsidy programme for the industry. The state may have to find even more money for the sector if it is to head off the risk of high regional concentrations of unemployment.

Herr Hans Matthoefer, the Finance Minister, has made clear he does not want to raise the extra funds through more government spending or borrowing. The budget is slated to rise by 4.2 per cent to reach DM 240.8bn. In the finance minister's view new borrowings should not exceed the anticipated DM 26.5bn.

This leaves the coalition little room for manoeuvre, and the ideological differences between the parties remain stark.

The Social Democratic party is opposed to any further cuts in social welfare spending and broadly favours a job creation programme.

Mediators try again in Holland

By Charles Batchelor in Amsterdam

QUEEN BEATRIX of the Netherlands has appointed two Labour Party mediators to make another attempt to put together a left-of-centre coalition Government. The mediators have begun work by meeting leading politicians, but it could take several weeks to reach a workable coalition agreement.

Despite the failure of the Christian Democrats, the Labour Party and Democrats "66" to approve a joint economic programme, all three parties want to try again to form a Government.

The refusal of the six Labour Party ministers to accept a compromise programme agreed by their six Christian Democratic and three Democrat "66" colleagues led to the downfall of five-week-old coalition last Friday. The appointment of Labour Party mediators reflects the view of the other two parties that Labour must sort out the difficulty.

The mediators are both economics professors: Mr Victor Halberstadt from Leiden University and Dr Cornelis de Galan from Groningen. The two are also members of the Social Economic Council, a Government advisory body.

WARSAW BREAKS A COMMUNIST RULE

Poland in the hands of a general

BY CHRISTOPHER BOBINSKI IN WARSAW

ONE OF THE BETTER established rules of Communist movements, is that the military must not be permitted to take control of the party, but it was broken yesterday when General Wojciech Jaruzelski, head of the armed forces and Prime Minister since February, was chosen to head Poland's party.

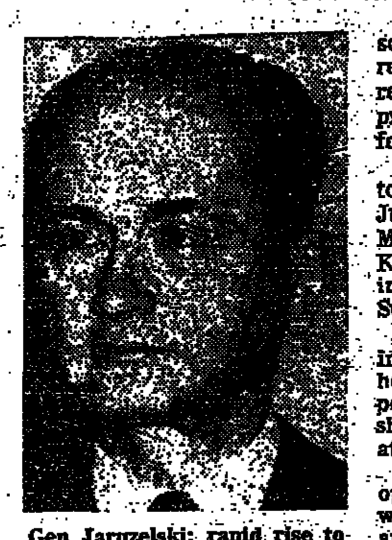
Evidently, it was the Polish tradition of turning to a military man when times are uncertain that caused the 200 members of the central committee to entrust the party to a general. At the same time, the choice of General Jaruzelski means that the party leadership is still not ready to use force to regain the initiative against the increasingly outspoken Solidarity union.

Since General Jaruzelski's appointment as Premier it has been clear that the Government has been in the hands of the moderates and that the General would rather resign than use the army against the population.

Yet it is the instinctive respect which a uniform commands in Poland, together with the fact that, of all the state institutions, the army has come through the past year relatively intact and free of corruption charges that provides General Jaruzelski's strength. Born in 1923 in eastern Poland the general's rise in the armed forces was unusually rapid.

At the age of 37, he was already head of the army's political section, a crucial post in maintaining its ideological purity and an appointment over which the Soviet Union plainly had a say. In 1968 he was nominated Minister of Defence and was elected to the Politburo, the party's top policy-making body, in 1971.

His term as Prime Minister, however, can hardly be described as successful. Charged



Gen Jaruzelski: rapid rise to the top

with reforming the central bureaucracy, he made little progress. The economic proposals, tabled by his Ministers for resolving the crisis, have been rejected by Solidarity and the reform programme which he presented has been criticised for not going far enough.

It is said that he has offered to resign at least twice. Last June Gen Jaruzelski along with Mr Kania was criticised by the Kremlin for lack of militancy in dealing with the "threat to Socialism."

At that time, it was the backing of the army which greatly helped to keep the two men in power. Now the Soviet leadership will have to rethink its attitude to its new colleague.

Gen Jaruzelski has talked openly in recent weeks of widening the circle of power, and, in the last few days, Mr Marian Krzak, the Finance Minister, has been talking to Solidarity on economic issues. This suggests that Gen Jaruzelski will continue with a policy of dialogue.

Romania rations bread supplies

BY LESLIE COLITT IN BERLIN

ROMANIA has become the first East European country since the early post-war years, to introduce bread rationing, limiting each customer to a loaf of bread daily.

The Romanian news agency Agerpress said President Nicolae Ceausescu signed a decree establishing the amount of wheat and maize products which Romanians are to be allotted annually.

The new law carefully avoids the word rationing, but makes clear that customers will be unable to buy more than 410 gms (14.4 oz) of bread daily and will receive 2½ kg (5.5 lbs) of maize meal a month. Bread consumption has risen sharply in recent months as the shortage of other foods has worsened.

Romanian markets have regular supplies only of bread, flour, macaroni, milk, fatty sausages, and sugar. Meat, cooking oil, cheese, and other foods are in short supply or non-existent. Nine per cent of Romanian meat production is being exported to earn desperately-needed hard currency.

The rationing of bread follows another poor grain harvest and the recent sacking of the Agriculture Minister. Romania will have to import large amounts of grain and soya beans from the U.S., where it hopes to secure renewed agriculture credit.

The decree says citizens will only be able to buy bread in the places where they work or reside. Collective farmers will not be able to buy cheap bread and feed it to their privately-raised pigs.

Instead they are to boost cultivation of produce and raise more livestock on their private plots. Government purchase prices for privately-raised food is to be increased, and the private plots are to receive improved supplies of fertiliser and fodder.

Bazargan seeks end to bloodshed

By Terry Povey in Tehran

ONE OF the few remaining moderate politicians in Iran still able to find a public platform appealed yesterday for a halt to political bloodshed in the country to prevent the population supporting plots to overthrow the Government.

Mr Mehdi Bazargan, Iran's first Prime Minister after the ousting of the Shah, succeeded in having published the text of a speech he was prevented delivering to the country's Parliament last week.

"A frightening fire is raging in our country," he said, yet many seemed to wish to "pour fuel on the blaze."

The speech is being seen as perhaps a last attempt by the minority of deputies around the elderly ex-Premier to assert some public role for a loyal opposition to Ayatollah Khomeini's fundamentalist regime.

Addressing both sides in the present violent struggle for power, Mr Bazargan said: "We call each other reactionaries and agents of the U.S., yet none of our clergy were imported and none of our children were brought up in American homes so that they might justifiably be labelled mercenaries."

Mr Bazargan did not mention the main opposition grouping, the People's Mojahedin, but he was clearly referring to them when he spoke of "our youth, young men and women" who were "dying in street clashes or by order of the Revolutionary Force."

He appealed to Ayatollah Khomeini and to the regime's leaders, as well as to opposition groups, to "stop and rethink" before it was too late. Iran's enemies aimed to drive the population by "insecurity, killings and famine into the arms of those who plotted for a coup d'etat" to overthrow the regime.

£17.5bn spent on EMS support

BY JOHN WYLES IN BRUSSELS

EEC CENTRAL BANKS spent $32.4bn (£17.5bn) on currency intervention during the first two years' operation of the European Monetary System. The intervention was aimed at smoothing the dollar's fluctuations against EMS currencies and stifling upward pressure on West German interest rates.

Gross dollar sales by the eight central banks involved in the exchange rate mechanism amounted to $50bn between April 1979 and June 1981. Of the $32.4bn net outflow, some $18.7bn was committed by the Bundesbank to cope with the seesawing changes in the D-Mark-dollar rate.

The scale of these interventions was revealed for the first time by the European Commission in its just-published annual economic review for 1981-82.

The Commission tries to show how successful the EMS has been in traversing the rough currency waters of the past 2½ years. Its report also reflects the general unhappiness in the EEC with U.S. exchange rate policy since March, when the U.S. authorities abandoned intervention on the exchanges save in exceptional circumstances.

The EMS, says the Commission, has "satisfactorily" performed its role of creating a zone of monetary stability in Europe. Currency management has not given rise to major conflicts between member states.

Some countries have relied almost exclusively on dollars for their intervention, often because they are unable to secure Community currencies in an emergency. The Commission says this can often accentuate a given dollar trend, and it recommends that new rules should be laid down to encourage wider use of intervention when a currency is not at its fluctuation

Mitterrand urges U.S. on Cancun

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Francois Mitterrand of France yesterday urged the U.S. to close ranks with its Western partners in seeking progress in relations with the developing world at next week's North-South summit in Cancun, Mexico.

M Mitterrand is holding a series of meetings with President Ronald Reagan during the course of the Yorktown bicentennial celebrations in Virginia. He said he was particularly keen to impress Mr Reagan with the need for a world energy policy to meet the requirements of the poorest nations.

Referring to differences between the U.S. and French approaches to Third World development, M Mitterrand said that if the 22-nation Cancun meeting could not bring the views of the industrialised and developing countries closer it would be better not to hold it. The Western world would be severely criticised.

In a television interview, M Mitterrand disagreed with Mr Reagan's exclusion of Sr Fidel Castro of Cuba from the Cancun meeting. He also indicated a number of other areas in which he differed from Mr Reagan's open-market, free-enterprise approach to development. He warned against the dangers of "neo-colonialism" and of basing development on political dictatorships.

Arafat seeks arms in Moscow visit

BY IHSAN HIJAZI IN BEIRUT

MR YASSER ARAFAT, chairman of the Palestine Liberation Organisation, flew to Moscow yesterday for a three-day visit during which he is to hold what Palestinian officials described as "important talks" with Soviet leaders.

Mr Arafat spent only 24 hours in Beirut before his departure after returning on Friday from an extensive tour of the Far East including North Korea, Japan, China and Vietnam.

The guerrilla leader is expected to seek sophisticated weapons from the Russians, especially surface-to-air missiles which the PLO says are needed to protect Palestinian camps and population centres in Lebanon against Israeli air strikes.

Mr Arafat was unable to obtain such arms from China, whose leaders were reported to have informed him that their production was limited. It is not known whether he was more successful in Vietnam and North Korea.

Mr Arafat is facing a serious row within the PLO over his endorsement of a Saudi Arabian plan for a Middle East settlement. His declaration that he regards the plan as a good basis for resolving the Arab-Israel conflict has led to criticism from all the other guerrilla factions. Objections within Mr Arafat's own organisation, Al-Fatah was voiced by Mr Abu Saleh, a member of its central council.

The plan, put forward in August by Crown Prince Fahd, called for the establishment of an independent Palestinian state in the Israeli-occupied West Bank and Gaza, in exchange for guaranteeing the right of all nations in the region to live in peace. It was implied that this included Israel, but Tel Aviv has rejected the Saudi proposals categorically.

Afghanistan breakdown reported by refugee

PESHAWAR—A former senior official in the Soviet-backed Afghan Government, who has fled from Kabul, said yesterday that Afghanistan's political, economic and administrative structure has broken down.

Mohammad Yusif Farand, 52, arrived in Pakistan five days ago after leaving Kabul on October 11. He said that when he left there were rumours that the Babrak Karmal regime might soon be replaced by another Communist Administration.

Mr Farand, an adviser to the Ministry of Finance, head of the board of control of the state-run Afghan Textile Corporation, and a director of the national airline, Ariana, said central control of the country had collapsed.

He told reporters that ministries were able to operate with a quarter of the staff they employed before Soviet troops intervened in Afghanistan 21 months ago, because the Government controlled so little of the country.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing centres.

CBI seeks tariff reform by Spain before EEC entry

BY JAMES McDONALD

WHEN SPAIN and Portugal join the European Economic Community, British businessmen will want Spain to end her out-dated tariffs and quotas, discriminatory taxation and "Buy Spanish" legislation, and Portugal to "go easy" on her textile exports to Britain, spreading them more evenly around the Community, says the Confederation of British Industry.

These are among the key points made in a CBI report, Enlargement of the European Community to include Spain and Portugal, published today.

The general tenor of the report is in keeping with the UK Government's approach to the problems of entry.

The report of the working party—led by Mr Christopher Johnson, economic adviser to Lloyds Bank—says that EEC membership by Spain and Portugal will strengthen their democratic institutions and *contribute to Western Europe's* political stability. But that should not be allowed to conceal the economic difficulties involved.

Spain, says the report, should lower tariffs so that within five years of entry she is fully integrated with the present members of the Community. Some tariffs, such as those on cars, were exceptionally high.

"There is such an imbalance in some tariffs between the EEC and Spain under the 1970 commercial agreement *that Madrid* ought to start bringing down some duties now."

Spain should also prepare to introduce a value added tax or sales tax and start adjusting its indirect tax system. It should repeal the "Buy Spanish" Act, abolish its import licensing system on accession and switch to EEC Customs methods.

In addition it should accept that the UK's textile and clothing industry may need a longer transition period to adapt to the new pattern of competition, adopt Community steel policy, and end barriers to investment in Spain.

Portugal's entry poses few problems, says the report. But Portugal should abolish import licensing regulations, luxury surcharges and price control regulations affecting im*ports from the Community.* It should also export its textile and clothing products more evenly between Community members, provide the UK's textile and clothing industries with a longer transition period during which the present voluntary restraint agreement would be phased out, and allow easier access to her market through EEC investment.

World Economic Indicators

TRADE STATISTICS

		Aug. '81	July '81	June '81	Aug. '80
U.S. $bn	Exports	19.050	19.264	19.870	19.103
	Imports	23.528	20.664	21.975	19.236
	Balance	−4.478	−1.400	−2.105	−0.133
France FFrbn	Exports	53.237	48.258	47.970	40.752
	Imports	53.397	54.373	53.900	44.770
	Balance	−0.160	−6.115	−5.930	−4.018
W. Germany DMbn	Exports	28.14	36.26	32.40	24.20
	Imports	28.20	32.59	30.70	24.30
	Balance	−0.06	+3.67	+1.70	−0.10
Japan $bn	Exports	11.645	13.359	12.590	10.104
	Imports	9.901	11.003	9.986	9.799
	Balance	+1.744	+2.356	+2.604	+0.305
Italy Lirebn	Exports	6,337	7,867	8,071	4,951
	Imports	7,381	8,670	8,852	6,590
	Balance	−1,044	−803	−781	−1,639
		July '81	June '81	May '81	July '80
Holland Flbn	Exports	14.041	14.858	13.457	11.128
	Imports	14.037	15.551	13.629	11.715
	Balance	−0.004	−0.693	−0.172	−0.587
		May '81	Apr. '81	Mar. '81	May '80
Belgium BFrbn	Exports	160.521	172.507	174.516	152.987
	Imports	174.456	195.290	206.293	165.743
	Balance	−13.935	−22.783	−31.777	−12.756

Shipping rates for crude oil 'must rise'

By Andrew Fisher, Shipping Correspondent, in Hong Kong

SHIPPING freight rates for crude oil will have to go up significantly "and remain there for the rest of the century" if owners are to make a high enough return on investment in tankers, a shipping financier said on Friday.

Mr Paul Slater, head of Oceanic Finance, told the Lloyd's Shipping Conference in Hong Kong that the huge investments involved and the low income from tanker operations meant that "one has to seriously question the advisability of any investment in this sector of the shipping market."

His remarks come at a time of great over-capacity in the tanker market, with more and more large ships being sold for scrap, laid up or used for oil storage.

"Freight rates must be increased to reflect the proper and serious investment criteria necessary to rebuild and maintain the world's independent tanker fleet," said Mr Slater.

Earnings from tankers were at an all-time low, said Mr Slater, who is president of Oceanic, based in Bermuda and specialising in shipping finance. They barely covered the *running costs of older* tankers and bore absolutely no resemblance to the sort of rates needed to justify the acquisition of new ships.

As long as oil companies and other tanker charterers pay the lowest price the market would bear, "the whole market will remain fundamentally unhealthy and, therefore, fail to attract the serious investment necessary for the new tankers that will be needed to carry oil and its products through the remainder of this century."

The tanker market's problems stem from recession, output of more oil from outside the Middle East where many big tankers get their cargoes, and the prolonged impact of the oil price surge of the early 1970s.

Mr Slater commented: "The most pernicious drug on the tanker market today is the universal attitude—shared as much by the old hands as the newcomers—that the only real profit is in dealing in the ships as a commodity rather than operating them in a healthy freight market."

● Indonesia and Mexico were singled out as the most likely candidates for the next bout of containerisation by a leading container operator at a conference held in the Crown Colony.

Mr Tsvi Rosenfeld, chairman of the Antwerp-based ABC Container Line, said that prospects for increasing trade with Indonesia were exceptionally bright.

The opportunities were enhanced by the suitability of most of the products involved for going into containers.

Speaking at the Lloyd's World of Shipping Conference, Mr Rosenfeld said Indonesia's 16 ports were capable of handling ocean-going ships. The largest, Tanjung Priok at Jakarta, was the site of its only container terminal in operation. But container facilities were being built at Belawan in Northern Sumatra, Surabaya in East Java, and Plembang in Southern Sumatra.

SHIPPING REPORT

Dry cargo and tanker rates remain steady

By Lynton McLain

DRY cargo and tanker charter rates remained almost steady last week.

Interest in tanker chartering increased slightly and some gaps in tanker availability emerged, *and with this came the prospect of higher* rates.

In the dry cargo sector, a number of Panama class vessels on 12 months to 18 months charter were reported at between $2.85 to $3.25 per deadweight tonne. These levels were substantially below the nominal rate level.

The gaps in tanker availability were sufficient to show some slight appreciation of rates, especially in the Gulf, where brokers reported a scarcity of smaller very large crude carrier (VLCCs).

In the Gulf, rates showed a minimal improvement.

A 250,000 tonne vessel to the west was chartered at Worldscale 21½/22. A new Ultra Large Crude Carrier *(ULCC)* was chartered to Japan at Worldscale 20.

Inquiries in general for VLCCs were higher than for some time.

In the Indonesia area more activity was reported. A number of charters were bound for Japan and to the west and east coasts of the U.S.

However, there was little evidence of improvements in demand or rates for loadings from West Africa.

BRITISH EXPORTS

Hall group wins $50m Brazil oil deal

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

MATTHEW HALL Engineering of London has won its first major Brazilian order with a contract for the provision of management and engineering services in the Campos Basin offshore oil field. The contract is worth $50m (£26.2m).

This is the value of the work the company will do as a member of a consortium made up of Tenenge and Ultratech, two Brazilian companies, and Herrema of the Netherlands. The buyer is Petroleo Brasileiro (Petrobras), the Brazilian national oil group.

The work involves the design, control and installation of modules and flare towers, and *the book-up of systems on three* platforms in the Campos Basin. It involves the provision of know-how and management. All the materials will be purchased locally.

Matthew Hall set up a company in Brazil three years ago, so that its experience in offshore engineering was known to Petrobras. This clearly helped Petrobras to the decision of *selecting the company and* working out a negotiated contract with it.

British personnel have left for Campos Basin. The work there will take more than three years and will involve up to 40 Matther Hall engineers.

Petrobras is making Matthew Hall a down payment, which will be followed by progress payments. The Brazilian group *may seek to negotiate an export* credit from a British bank, supported by the Export Credits Guarantee Department.

APC sets up Lagos hotel development

BY OUR WORLD TRADE EDITOR

BRITISH companies are to design and manage the construction of a new Naira 30m (£24m) hotel in the Ikoyi suburb of Lagos for Nigeria Hotels. More needed in the construction than Naira 11m of the materials will come from UK suppliers.

The project is being managed by APC International, the London consultants, and is being designed and constructed by Adstram International, a private UK company, in conjunction with Cappa and D'Alberto, the Lagos construction company.

Part of the financing is being arranged through Continental Illinois, APC said. Negotiations for credit of Naira 9m, covered by the Export Credits Guarantee Department, are well advanced. This will cover the sale of UK materials.

The remainder of the finance will be raised in Nigeria through a back loan for Naira 12m and through increased equity in Nigeria Hotels. There is also the possibility of a Federal Nigerian Government contribution.

The assembly of the financial and technical package strengthens the position of APC in Nigeria, where it has been active since 1973. The company has been responsible for other major hotel developments in Lagos, Jos and Calabar.

Work on the new hotel in Ikoyi will start immediately and should be completed by 1984. The new hotel will have 330 bedrooms, but is eschewing the provision of conference facilities.

Israelis complain about high credit costs

BY OUR WORLD TRADE STAFF

THE PROSPECTS of Israel buying bulk coal carriers from the Belfast yards of Harland and Wolff and buses from the Leyland Vehicles unit of BL at Preston are being harmed by the credit terms on offer, according to Mr David Shiffman, the Israel Deputy Transport Minister.

Export-orientated Valtos, named after the town in the Western Isles of Scotland, has

Mr Shiffman has been in the UK examining the possibilities of purchasing not only bulk carriers and buses, but also a conveyor system from Cable Belt, the Laird Group's Camberley subsidiary, more coal from the National Coal Board and consultancy services for rapid transit systems to be built in Tel Aviv and Haifa.

Harland and Wolff had offered finance to cover 80 per cent of the purchase price of around $54m for 160,000 tonne bulk carriers, Mr Shiffman said. The interest rate would be 7.5 per cent and the repayment term eight years. "This is not enough. We have better offers," he said.

The financing terms of Leyland Vehicles were much the same, Mr Shiffman said, and again deemed inadequate. But Leyland Vehicles said it had only received an initial inquiry for 200 chassis and motor units, and had not offered any financing terms.

Mr Shiffman also had talks with the NCB about increased coal shipments but evidently failed to settle details about the method of payment.

Valtos helps Dutch urban renewal plan

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

A PARTNERSHIP of Scottish architects, whose work has included propping up a 16th century fort in Oman, has landed an urban renewal contract in the Hague.

Export-orientated Valtos, named after the town in the Western Isles of Scotland, has been commissioned by the city to renovate a row of council-owned houses on Roggeveenstraat, in the inner city. The houses, built about 100 years ago, suffer badly from leaky roofs and rotten floors. The contract is expected to come to about £500,000.

The partnership has opened an office in The Hague and anticipates further work in the city. It also hopes for other renovation contracts in West Germany and France.

Architects John Beveridge and James Gilchrist, both in their 30s, set up Valtos five years ago. They have since established five offices, employ 70, and have completed some £50m-worth of business.

Their early work involved the renovation of Glasgow tenement buildings, including work in the Laurieston Gorbals area of the city.

Ericsson wins big telephone contract

By William Dullforce in Stockholm

L. M. ERICSSON, the Swedish telecommunications group, has won an order worth more than $114m (£61.6m) from the Telecommunications Administration of Venezuela and an order of over $33m (£17.8m) from Egypt.

The Venezuelan contract is for computer-controlled telephone exchanges, and implies that Venezuela has chosen Ericsson's AXE system for the extension and modernisation of its telephone network.

Telephone administrations in 30 countries have now selected the AXE system, Ericsson said.

The other order covers equipment needed for the local manufacturing in Egypt of telephone exchanges and telephone instruments during a three-year period.

● A Norwegian shipping company, Kosmos, has ordered a heavy duty accommodation rig, of Aker H-3.2 design, from a French yard, Chantiers de l'Atlantique, for delivery in May, 1983, Fay Gjester writes from Oslo. At the same time, the company has secured an option for a sister rig, of Aker H-3.2 design, delivery in August, 1983.

China trade fair busier

THOUSANDS of foreign businessmen have flocked into Guangdong province, South China, for the biannual Chinese Trade Fair, Tony Walker reports from Peking.

According to the New China News Agency more than 4,000 businessmen attended the opening ceremony last week of the 50th trade fair to be held in Guangdong.

CONTRACTS AND TENDERS

COMPANY NOTICES

PERSONAL

BSC losses fall but job cuts still sought

BY ALAN PIKE

MR PATRICK JENKIN, Industry Secretary, will be told in his first full report on the British Steel Corporation that, although financial losses are being reduced, the drive for further manpower reductions must go on.

Mr Ian MacGregor, BSC chairman and his management team are expected to tell the Minister —probably next month—that they hope to contain the Corporation's loss in the current financial year to below £400m compared with last year's record £668m.

Figures for the first half of the present year are not yet available but these could show a half-year loss approaching £300m, particularly as BSC's costs are loaded towards the beginning of the year.

The corporation remains reasonably confident of a noticeable improvement in its finances in 1982 with the prospect of breaking even around the end of the year. But much depends on still further efforts to reduce costs and raise productivity.

The need for further redundancies has already been revealed to the 109,000 strong workforce, and union leaders have expressed fears that they will be as high as 20,000. One of the paradoxes which the Government has to take into account is that the cost of redundancies increases BSC's financial requirements in the short term.

The Corporation's management is nonetheless convinced that the painful but vital efforts to raise productivity must continue as fast as possible.

Many of the fresh redundancies will be in white collar and other non-production areas but there will also be further efforts to improve performance in direct steel-making operations.

Workers at such plants as Port Talbot and Llanwern, who have made the greatest productivity strides, will be told that their quality and consistency of performance still fails to match the best international competition.

At other plants the Corporation has already decided that more must be done—nearly 2,000 redundancies are already being demanded on Teesside.

A regional breakdown of performance figures shows substantial fluctuations in levels of loss. While the loss per ton of steel produced ranges from zero to £5 in South Wales, it is £15 to £25 at Ravenscraig

These variations are not all caused by productivity problems. One of the Corporation's biggest immediate difficulties, for instance, is finding a sufficient volume of orders to make its Ravenscraig complex economic.

The Scottish plant has good technical facilities but BSC's hopes of loading it adequately were dealt a serious blow when the Government's North Sea gas gathering pipeline project was abandoned.

U.S. oil companies abandon move for new tax structure

BY MARTIN DICKSON, ENERGY CORRESPONDENT

SEVEN U.S. oil companies have abandoned plans to submit to the UK Government their own proposals for a new North Sea tax structure.

The seven—Mobil, Chevron, Amoco, Conoco, Union Oil, Phillips Petroleum and Texas Eastern—are expected instead to write to Sir Geoffrey Howe, the Chancellor, saying they fully endorse proposals put forward by the UK Offshore Operators' Association (UKOOA), one of the industry's two main representative bodies.

The move will reinforce the relatively united front which oil companies are displaying on a new tax regime—to the surprise of some in the industry.

The industry was challenged to put forward ideas for a new tax structure last March when the Chancellor introduced the intensely unpopular supplementary petroleum duty (SPD).

The seven U.S. companies formed a loose association to consider submitting their own proposals. They felt that they had common tax interests, being owners of oil in medium-sized, high cost fields and facing UK-U.S. double taxation problems, especially over SPD, which cannot be credited against American tax.

However, the seven have now come to the conclusion that their interests are sufficiently cared for in the submission from UKOOA which was handed to the Government last week.

UKOOA, a 39-member grouping which includes the big multinationals operating in the North Sea, has yet to publish its proposals. But they are believed to include the scrapping of SPD and a lowering in the overall rate of tax.

A second group, the Association of British Independent Oil Companies (Brindex) which groups 38 small UK companies, has put forward a plan which would mean a return to corporation tax as the main element of taxation.

SPD would be abolished; Petroleum Revenue Tax, now levied at 70 per cent, would be halved, but it would no longer be deductible in calculating corporation tax.

PRT would thus sit on top of corporation tax as an extra profits tax. Brindex said the main beneficiaries of this change would be companies with heavy exploration and development programmes but only a relatively small interest in currently producing fields. They would be better able to offset expenditure against current tax liabilities.

Britain to seek curb on EEC farm aid

By Richard Mooney

STRICT CONTROL of EEC spending on agricultural price support will be urged by the UK at today's Council of Agricultural Ministers in Luxembourg.

Mr Alick Buchanan-Smith, Minister of State for Agriculture, is expected to argue for increases in agricultural spending to be kept substantially below the growth in the Community's trade income from its share in Value Added Tax receipts and trade levies. Mr Buchanan-Smith is acting as Britain's agriculture spokesman while Mr Peter Walker, the Farm Minister, occupies the presidential chair at the council meetings.

Unde rthe somewhat esoteric headin gof "orientation debate on mandate" the Agricultural Council will be undertaking its first official forum on the future shape of the CAP. France and Ireland are likely to express their satisfaction with the current arrangements, of which they are the main beneficiaries. Britain and West Germany, the biggest net contributors, will be arguing for substantial spending cuts.

Report on Raleigh is test case for supplying retailers

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE Monopolies and Mergers Commission will tomorrow hand the Government its report info TI Raleigh Industries' reusal to supply certain cut-price retailers with its bicycles.

The report, which will not be published until later next month, will be the first investigation to have run the full course under the complex investigation procedures laid down by the 1980 Competition Act.

This Act enables the Office of Fair Trading and the commission to investigate any anti-competitive practices carried out by a single company.

But the commission's verdict will also prove an important test case in determining how far manufacturers have a right to refuse to supply retailers with their products.

The commission is charged with determining the "public interest" in such matters and may have decided to adhere to its previous judgments that refusal to supply is not by itself against the public interest.

Having completed its investigation into Raleigh, the commission is next week likely to be asked by the OFT to determine public interest involved in the trading practices of the Sheffield Newspapers Group. Sheffield Newspapers has been under investigation by the OFT since March over alleged attempts to restrict competition in the sale of newspapers in the Sheffield area.

Apart from the Sheffield investigation, the OFT has two other competition probes under way and a new one could be anounced within the next few weeks.

However, there have been only six investigations in the first 14 months of the Act's operation, in contrast to expectations before it became law that there would be two or three times that number yearly.

The OFT has found it much more difficult than expected to obtain the necessary evidence to launch an investigation. It has had no shortage of complaints—almost 200 in the first half of this year—but it has found that many of these do not stand up to closer scrutiny.

Even when it felt that a particular complaint deserved further study—such as a retailer's allegation that the Sanderson wallcoverings company refused to supply it with some products — the OFT reached the conclusion after a six-month study that Sanderson's activities did not restrict competition.

The Competition Act was brought in as one of the first acts of the Conservative Government after the last election. It was aimed at abolishing the much-hated Price Commission and replacing it with a speedy investigation system to identify and eradicate specific cases of anti-competitive trading behaviour.

Competition, it was argued, was a more effective weapon in controlling unnecessary price rises than the cumbersome mechanism of statutory price controls.

The new legislation was kept to the minimum to speed its introduction and the definition of anti-competitive practices was deliberately kept vague to prevent the system being held up by legal wrangling.

However, the law still took longer than expected to reach the statute book and it was not until August 1980 that it become operational. Unfortunately, by this stage the recession had began to bite deeply into British industry and probes into companies fighting for survival were not welcome.

Even Raleigh, for example, is believed to be re-considering its distribution policy because of the slump in bicycle sales.

The OFT also found that it took much longer than expected to establish whether an alleged anti-competitive practice existed.

The time atken by the OFT in carrying out its preliminary investigations has largely been due to its establishing the procedures for investigation, although some companies are understood to have been reluctant to give full help to the OFT in its investigations.

Moreover, Mr Gordon Borrie, the Director-General of Fair Trading and a lawyer by training, has been determined to ensure that companies have been given every opportunity to make their case before the OFT makes up its mind.

Under the Act's procedures, if the OFT believes that an anti-competitive practice is poerating, it can then refer it to the commission for an investigation, taking six to nine months to determine the public interest. The public interest criteria are basically the same as those laid down under the 1973 Fair Trading Act.

However, before the OFT can refer a case to the commission it has to give the company concerned the opportunity of giving voluntary undertakings not to continue with the practice. If no undertakings are forthcoming, then the commission's investigation can go ahead.

Out of the six comeptition investigations undertaken by the OFT over the past year, only Raleigh has gone the full course and reached the commission. Sanderson was cleared of any anti-competitive practice and Petter agreed not to renew the trading behaviour which led to the original OFT investigation.

Apart from Sheffield Newspapers, the OFT has two other current investigations. These are into W. M. Still and Sons, a catering equipment supplier, and the London Electricity Board. The LEB probe is to determine whether it is unfairly subsidising its retail showrooms from the sale of electricity.

The Competition Act has been used more successfully in launching a series of "efficiency audits" on nationalised industries, although these investigations are referred directly to the Commission by the Trade Secretary.

The Act, however, has one other important provision that could eventually prove a useful weapon for the Government. This is the provision, under Section 13, for any price rise "of major public concern" to be investigated by the OFT.

Although there are no penalties attached to such an investigation, the Government has been under great pressure to use this power to investigate recent rises in petrol prices.

The Government remains reluctant, however, to use such powers because of fears that it is too similar to price probes carried out by the old Price Commission. Rising inflation, however, may force it to change its mind.

BASE LENDING RATES

A.B.N. Bank	15½%	■ Guinness Mahon	15½%
Allied Irish Bank	15½%	■ Hambros Bank	15½%
American Express Bk.	15½%	Heritable & Gen. Trust	15½%
Amro Bank	15½%	■ Hill Samuel	§15½%
Henry Ansbacher	15½%	C. Hoare & Co.	†15½%
■ Arbuthnot Latham	15½%	Hongkong & Shanghai	15½%
Associates Cap. Corp.	16 %	Knowsley & Co. Ltd.	16½%
Banco de Bilbao	15½%	Langris Trust Ltd.	16 %
BCCI	16 %	Lloyds Bank	15½%
Bank of Cyprus	16½%	Mallinhall Limited	15½%
Bank of N.S.W.	16 %	Edward Manson & Co.	17 %
Banque Belge Ltd.	16 %	Midland Bank	15½%
Banque du Rhone et de la Tamise S.A.	16 %	■ Samuel Montagu	15½%
Barclays Bank	15½%	■ Morgan Grenfell	16 %
Beneficial Trust Ltd.	17 %	National Westminster	15½%
Bremar Holdings Ltd.	17 %	Norwich General Trust	15½%
Bristol & West Invest.	17 %	P. S. Refson & Co.	15½%
Brit. Bank of Mid. East	15½%	Slavenburg's Bank	15½%
■ Brown Shipley	16 %	E. S. Schwab	17 %
Canada Perm't Trust	16 %	Standard Chartered	‖15½%
Cayzer Ltd.	16 %	Trade Dev. Bank	15½%
Cedar Holdings	16 %	Trustee Savings Bank	15 %
■ Charterhouse Japhet	16 %	TCB Ltd.	16 %
Choulartons	16 %	United Bank of Kuwait	15½%
Citibank Savings	¶15 %	Whiteaway Laidlaw	16 %
Clydesdale Bank	15½%	Williams & Glyn's	15½%
C. E. Coates	16 %	Wintrust Secs. Ltd.	15½%
Consolidated Credits	16 %	Yorkshire Bank	15½%
Co-operative Bank	*15½%		
Corinthian Secs.	15½%		
The Cyprus Popular Bk.	16 %		
Duncan Lawrie	15½%		
Eagil Trust	15½%		
E. T. Trust Limited	16 %		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		
Robert Fraser	16 %		
Antony Gibbs	15½%		
Grindlays Bank	‡15½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 14%, 1-month 14.25%, Short term £8,000/12 months 16.60%.

† 7-day deposits on sums of £10,000 and under 13½%, up to £50,000 14% and over £50,000 14½%.

‡ Call deposits £1,000 and over 13½%.

§ Demand deposits 14%.

‖ 21-day deposits over £1,000 15%.

¶ Mortgage base rate.

Public Works Loan Board rates

Effective October 17

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	16½	16⅝	16⅞	17	16⅞	17⅜
Over 5, up to 6	16⅝	16½	16⅝	17⅛	17	16⅞
Over 6, up to 7	16½	16½	16¼	17½	17	16¾
Over 7, up to 8	16¼	16¼	16½	17¼	17	16¾
Over 8, up to 9	16½	16⅝	16¼	17½	17	16⅝
Over 9, up to 10	16¼	16½	16½	17¼	17	16¼
Over 10, up to 15	16⅛	16¼	15⅞	16⅞	16¾	16⅜
Over 15, up to 25	16	15⅞	15⅞	16½	16½	16⅜
Over 25	15⅞	15⅞	15⅞	16¼	16¼	16⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Earnings of top management increase 14.2%

BY JAMES McDONALD

MEDIAN EARNINGS of chairmen or highest-paid directors of nearly 1,000 British industrial and commercial companies with reporting years up to end-March rose by 14.2 per cent compared with 12 months before, according to the Charterhouse Group's latest guide to "Top Management Remuneration in the UK," published today.

A year earlier there had been a 13.6 per cent rise. The guide is based on data from over 950 industrial and commercial company reports, most with year-ends between December 1980 and March 1981.

The biggest percentage increases in earnings last year were for top management in the leisure and services sector, where the median increase of 18 per cent compared with a 14 per cent rise in the previous 12 months; followed by the food, drink and tobacco sector with a median increase of 17 per cent, against a 16 per cent rise in the previous year.

Increases in the nine sectors listed were lowest in consumer goods manufacturing, with a 13 per cent rise in median earnings, compared with 12 per cent in the previous year, and in retail and distribution, where a 14 per cent rise compared with 15 per cent during the previous 12 months.

It may be indicative of the growing effect of recession that the companies reporting with year-ends up to end-1980 showed a higher increase in median earnings — 14.3 per cent — than companies with year-ends up to March, 1981 — 13.5 per cent.

For rough comparison purposes, the guide says that the average earnings index for manufacturing industries in the 12 months to December 1980 showed an increase of 13.9 per cent; and in the 12 months to April 1981 an increase of 11.9 per cent.

The median increases, the guide points out, mask substantial variations between chairmen or highest-paid directors in companies within the same industry.

In consumer goods manufacturing, for example (230 companies), top management increases ranged from 21.5 per cent in the upper quartile down to 3.82 per cent in the lower quartile, with a median increase of 12.87 per cent.

The guide shows that the number of chairmen or highest-paid directors earning over £75,000 has increased from 31 a year before to 42, and the number of other directors earning over £75,000 rose from 18 to 37. However, directors earning over that sum accounted for only 1.7 per cent of the total sample.

The typical company in the study has a turnover of about £50m, with the chairman earning about £32,000 in 1980.

A figure of £100,000 a year is becoming a typical earnings level for the chairman or chief executive of the largest UK companies, says the guide.

It adds: "Earnings over £200,000 are likely to reflect international remuneration scales, which are higher than UK levels."

On top management benefits, the guide says that a significant element in a director's remuneration is his pension contribution.

"Top Management Remuneration in the UK," Charterhouse Remuneration, The Charterhouse Group, 25, Milk Street, London, EC2.

Industrial and Commercial Companies

Company	Chmn or Highest Paid Director or both	Turnover	Employees (worldwide total)
	£	£m	
BOC Int.	271,400	1,194	40,700
Shell Transport	225,163	34,257	161,000
Lonrho	224,938	2,101	140,000
Heron Corp.	207,000	303	3,418
ACC	203,630	250	5,247*
BP	143,334	25,848	118,200
Plessey	139,937	845	47,339
ICI	134,853	5,715	143,200
Racal Elec.	117,476	536	14,135*
Pearson Longman	117,221	226	12,231
BAT Inds	116,336	7,645	177,000
Beecham	115,157	1,195	33,900
Esso Petroleum	108,000 (A)	4,139	8,614*
Gill & Duffus	105,000	629	577*
Imp. Cont. Gas	103,000	403	8,507*
Geers Gross	103,000	46	—(NA)

(A) Total for 2 chairmen, each serving part of the year * UK only

Executive demand falls

BY JOE RENNISON

DEMAND FOR executives in the UK fell by 7 per cent in the three months to the end of September. But the underlying trend is one of slow growth and demand is still 7 per cent up compared with the same period last year, according to the latest Index from MSL.

The third quarter drop, following a 16 per cent rise in the first half of the year, is reflected in the 25 per cent fall in the level of executive recruitment advertising in national newspapers. Otherwise indications are that executive demand is continuing to increase. This is supported by the year-on-year figure which has now turned upward for the first time in three years.

Distributive investment exceeds forecast

By David Marsh

THE INCREASE in investment in the distributive and service industries in the last five years has been generally much bigger than forecast by companies responding to the Government's investment intentions surveys.

A comparison of forecasts with outturns published in the Industry and Trade Department magazine **British Business** shows that volume of capital investment in these industries grew by an average 11.2 per cent a year between 1976 and 1980.

This was roughly double growth rates indicated in surveys of investment plans by the Department.

Growth rate in individual years, when all subsequent revisions were taken into effect, normally turned out much larger than that originally published.

Last year growth rate, originally thought 5.5 per cent, turned out at 10 per cent, said the 1981 Blue Book on national income and expenditure.

The forecasting track record has generally been somewhat better for manufacturing. Last year its volume of investment fell 9.9 per cent against the original outturn of an 8.2 per cent drop and forecasts of a decline between 6 and 12 per cent.

David Fishlock traces the career of the man from Inco Europe

Nicholson: chief scientist to Think Tank

THE POST of Chief Scientific Adviser to the Prime Minister is to be restored next month. It lapsed in 1974. Dr Robin Nicholson, 47, managing director of Inco Europe, joins the Cabinet Office as Chief Scientist to the Central Policy Review Staff, the Think-Tank.

Dr Nicholson has the additional remit of advising the Prime Minister and the Cabinet Office generally on scientific and engineering matters. "And obviously," he says, "that broader remit was attractive to me."

Every major move in the career of this one-time Cambridge metallurgist has been by invitation and has meant broadening his activities.

"I am awe-struck. But anyone who is not should not be doing it." Dr Nicholson moved to Inco Europe from a chair at Manchester in 1972, to become successively research chief, director and, since 1976, managing director of the Canadian-based nickel group subsidiary.

His scientific achievements were formally acknowledged in 1978 when the Royal Society elected him a fellow.

The Cabinet Office post, offered "out of the blue" in August, is a secondment for three years.

In 1984 he expects to return to Inco in the same or equivalent post (Inco has three European subsidiaries). Meanwhile, the company will continue to pay his salary. Inco will be reimbursed by the Treasury, to the tune of £26,215, a deputy secretary's salary, roughly one-third less than he is earning today.

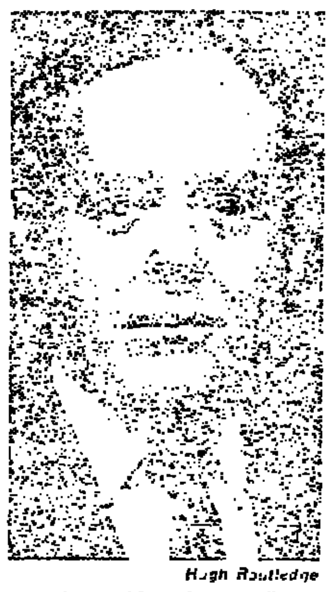
Another directorship he must relinquish is as co-chairman of Biogen, the *international club of genetic* engineers of which Inco is a founder-member. Biogen is paying Inco for 20 per cent of Dr Nicholson's time.

This slighly rumpled man with the disarming grin is neither professorial nor businessman in his appearance. The biggest risk of his new job he says sombrely, is that, never having changed jobs out of frustration, "I will not enjoy it."

He has been warned he will be serving three bosses, none of whom he knew before August. They are Mr Robin Ibbs, who heads the Think-Tank, Sir Robert Armstrong, who heads the Cabinet Office and the Prime Minister herself.

"The vast majority of problems is obviously going to be outside my specific knowledge," he says. Dr Nicholson has been formally offered already, however, the assistance of the Royal Society. He believes the society must have played an important role in his selection, by Sir Andrew Huxley, its president.

He has had ties with Government funding of science since the start of his career 25 years ago, when the Government awarded him his first research grant. For the past three years he has been a board member of the Science and Engineering Research Council. He is also chairman of the Department of Industry's materials and chemicals requirements board for research in these sectors



Hugh Routledge

Dr Robin Nicholson of Inco Europe

Little has been said to him about problems crying out for scientific advice in Whitehall. From the end of the Second World War until Sir Alan Cottrell, also a metallurgist, returned to Cambridge in 1974, the dominant problems for the Chief Scientific Adviser have always concerned nuclear policy.

Here the Cabinet operates in highly sensitive inter-departmental areas often between *military* and *civil* use of nuclear power. These problems have not decreased with time.

Just a decade ago the Think-Tank, then headed by Lord Rothschild, produced a plan to reorganise the funding of key areas of science. Rothschild's harshly commercial customer-contractor relationship for supporting research was the most controversial innovation in British science for decades.

"I think it has been successful," Dr Nicholson says. "The country as a whole is getting better value from its research and development money."

He believes British research attitudes have undergone a *major change* since he left university life in the early 1970s. Then it was quite common to find academics claiming they had no obligations to anyone but themselves and their students.

Now scientists recognise the importance of national economic success. "There's a great fund of good will out there." His job, as he sees it, is to harness more of it to the Government's economic objectives.

GLC verdict on lorry ban expected in new year

By Lynton McLain.

THE Greater London Council is expected to speed up the planned inquiry into heavy lorries in London, with the result that *a decision* on whether to implement a lorry ban at night and weekends could be reached early next year.

Mr Ken Livingstone, the former GLC opposition spokesman on transport and now the leader of the council, originally planned a six-month independent inquiry into heavy lorries in London. This timetable may now be cut to two months, subject to agreement on the change being reached by the GLC transport committeee.

The inquiry chairman is to be Mr Derek Wood, QC. The panel, if finally approved by the council, is expected to include Professor Peter Hills, a transport planner at the University of Newcastle upon Tyne, and Dr P. Goodwin of Oxford University.

The Freight Transport Association is expected to be represented by Mr R. Brown; retailing interests by Mr A. Baker, of Fine Fare on behalf of the Multiple Retailers Association and the Retail Consortium; environmental interests by Mr Keith Buchan of Transport 2000, and by Mr Stephen Plowden, of the London Amenity and Transport Association.

UK NEWS

Contradictory council spending targets embarrass Whitehall

BY ROBIN PAULEY

CIVIL SERVANTS at the Environment Department have discovered to their embarrassment that they will be using five different targets for council spending next year, all contradictory, and that the main one could encourage councils to increase rather than decrease their planned spending.

The problem will arise because councils will have targets based on the block-grant system introduced by the Government in legislation last *year as well as targets based on* proposals to be enshrined in new legislation to be introduced next month.

There will also be the target based on volume of current expenditure. This has failed to work for two successive years and some senior civil servants have consistently urged the Government not to use it—but the signs are that it will remain in some form next year.

So from next April councils will be presented with:

● The Government's assessment *of how much they need to* spend to provide a standard level of services;

● The maximum amount they can spend without requiring a *referendum* to approve *further* expenditure;

● A Government assessment of "assumed" expenditure from which the amount of central government grant will be worked out;

● A *current expenditure* volume target, perhaps linked in some way to one of the above; and

● An as yet unspecified target which *will* be calculated to rescue councils from running into severe penalties if the Government considers they have tried hard to make cuts.

Officials are worried about this array of targets for two reasons.

One is that it will be all but impossible for a council to *achieve them* all. There has been prolonged confusion and argument this year because some councils were penalised for missing one target while managing to hit another—and when there are five rather than two this confusion is likely to be even greater.

The second is that the main target will be the centrally-determined *limit* up to which a council will be able to levy rates to finance expenditure without being forced to call a referendum.

This will be part of the new Local Government legislation to be rushed through Parliament in time to take effect before next spring's rates are fixed.

The Government is understood to be planning to allow a wide margin of spending above the assessed spending level require for standard services *before the referendum barrier* is reached.

Acceptance rules boost for foreign banks

By William Hall, Banking Correspondent

AMERICAN BANKS in London have raised their acceptance credit business by 44 per cent, and Japanese by 50 per cent, in the first month since the Bank of England changed its *rules* and agreed to discount (buy) their bills (acceptance credits).

An acceptance credit is an alternative to a bank overdraft, and enables a corporate borrower to issue bills of exchange which the bank "accepts" by putting its name on them. The bills can then be sold through the London discount market raising the cash for the corporate borrower.

Last week's money supply figures from the Bank disclosed that the U.S. and Japanese banks had wasted little time in taking advantage of the new-found privilege, traditionally reserved for British and some *Commonwealth banks.*

In the four weeks to mid-September U.S. banks in London increased their acceptance cross-facilities by £305m to *£1bn, and Japanese banks by* £97m to £289m.

As a group, foreign banks in London raised their acceptances by 24 per cent to £2.723bn and accounted for nearly three-quarters of the increase in the UK acceptance market, which now stands at £6.595bn.

By contrast, UK banks in*creased* their acceptance business by only 6 per cent to £3.872bn in the month to mid-September. Their share of the UK acceptance market slipped from 62.5 to 58.7 per cent.

The change in the Bank's rules is part of the new system of monetary controls introduced on August 20.

As part of the change the Bank relies much more heavily on open-market operations in the eligible commercial bill market.

To ensure an adequate supply *of bills* the Bank has considerably increased the number of banks whose bills it will buy (eligible bills) in the course of its open-market operations.

The new list of 96 "eligible" banks is almost double the size of the old list and includes 17 U.S., seven Japanese, and six French banks.

Some City accepting and discount houses, which traditionally dominated the UK acceptance credit market, are not particularly happy about the *rapid growth in that market* since the entry of the foreign banks.

Since the Bank changed its rules some very large acceptance credit facilities have been put together on the London market, including £360m for Pemex, the Mexican State oil company.

Christine Moir looks at a key measure before the Commons today

Broader dimensions for Companies Bill

ESTIMATED TIMETABLE

Today and tomorrow: Two-day debate in the Commons and third reading.
Next week: Third reading in the Lords.
November: Royal Assent.
November: Commencement orders for sections 39-45 on mergers and acquisitions accounting.
December: Commencement orders for sections 40-48 on purchases by companies of their own shares, and relaxation of the rules on financial assistance for buying shares.
January: Abolition of the Registry of Business Names.
January/February: Commencement Order for sections 58-78 on disclosure of interests in shares.
February: Commencement order for sections 1-21 on new accounting procedures, especially for small companies, in accordance with the EEC Fourth Directive.

THE COMPANIES (No 2) Bill, which will be debated and get its third hearing in the Commons today and tomorrow, is a very different creature from the original published in February.

The second Companies Bill in two years started life as a technical document designed to bring UK company accounting procedures into line with the EEC Fourth Directive, which applies from next February.

In particular, it was designed *to make life easier for smaller* companies by relieving them of what the Secretary of State described as "burdensome" reporting obligations applicable *only to major concerns.*

This ostensibly undramatic and technical adjustment, however, soon roused considerable controversy. Accountants, solici*tors and quite a few business*men heatedly opposed the provisions—which exempt small companies from filing profit and loss accounts or full balance *sheets*—on the grounds that reduced information opened the door for more shady dealing.

Nevertheless, the provisions still stand and are not expected *to meet much opposition in the* Commons.

What is expected still to lead to fierce debate is a small section which the Government tacked on to the basic Bill as a matter of expediency. In pursuit of its cost-cutting policies, it proposed to abolish the Registry of Business Names, set up in 1916 to force traders to disclose their identities if they traded under names other than their own.

Despite massive opposition from credit and debt collection organisations, the Government is determined to push through the abolition and Mr *Reginald* Eyre, the Trade Minister, expects the register to close before February and finally to be destroyed.

Elsewhere in the Bill, the Government added, during its progress through the committee stages last summer, two major sections which paradoxically, *seemed* much more controversial at first glance than the Registry of Business Names proposed, but which have been widely welcomed.

First, the Department of Trade took the opportunity to reverse a fundamental historic principle of UK company law; that companies were prohibited from buying their own shares. Now, under suitable safeguards, they will be able to do so for the purpose of cancelling them.

The move is part of the Government's strategy of encouraging investment in small companies. The freedom to control *the future of shares which* have been issued is thought to be a major incentive to small entrepreneurs who would otherwise be afraid to give away equity to outsiders or lenders.

At the same time, the Trade Department was persuaded to relax another firm tenet of UK law designed to prevent predators using their target's assets to gain control. Section 54 of the Companies Act, 1948, prohibited companies from providing financial assistance to anyone buying their shares.

Section 54 is now thought to have hampered a number of proper *takeovers* and management buy-outs, so it has been replaced by three sections, 40 to 42, which relax the prohibition in certain cases.

The Government would have been content to close the Bill at that point, with the addition of a few minor though important changes to tighten controls over directors who are disqualified by the Trade Secretary, and to give wide investigatory powers to inspectors appointed by the Secretary into a company's affairs.

However, the City, the Lords, the Opposition and a number of large public companies were seething over the implications of what came to be known as the "De Beers/Consolidated Gold Fields affair."

De Beers exploited a loophole of the Companies Acts to build up a near 15 per cent stake in Consolidated without disclosing its identity.

The City moved to alter its own non-statutory rules to close the loophole, but other companies felt—rightly as its transpired—that they were vulnerable to similar manoeuvres and there was a general consensus that the loophole should be closed by legislation.

After considerable foot-dragging, the Government finally succumbed to the demand and, on any reasonable estimate, by February it will be a criminal offence *to build up without* disclosing the fact a stake of more than 5 per cent in a company by means of a group of individuals acting in concert.

From two technical sections, therefore, the Bill has grown to four with an additional miscellaneous section.

The debates are effectively over. The only untidiness that remains for the House to consider is a series of clauses introduced by Sir Brandon Rhys Williams, a Conservative backbencher, who is campaigning for legislation to force companies to appoint non-executive directors with specified functions.

The Government proposes to vote against these clauses, believing with the City that companies can only be persuaded, not forced, to make use of non-executives and so these clauses look doomed to deletion.

Government rates plan dangerous, says report

BY ROBIN PAULEY

AN OUTSPOKEN attack on the Government's proposals to curb local authorities' freedom to set their own rate levels has been *launched by two academics who* claim the moves threaten the entire institution of government in Britain.

Professor George Jones, Professor of Politics at the London School of Economics, and Professor John Stewart, Director of Birmingham University's Institute of Local Government, *warn* in a *report* today that the proposals could lead to a dangerous centralisation of power.

The Professors attack the "myth" that local government expenditure is out of control. Between 1975-76 and 1980-81 local government expenditure (capital and current) fell by 16.6 per cent in real terms while central government spending rose by 2.5 per cent. In the last six years local government had, on average, achieved expenditure levels below central government targets.

Another "myth," they argue, *is that central government* needs control over locally-financed local government spending in the interests of the economy.

Their proposals include removing local government expenditure from the Public Expenditure White Paper, abolishing non-domestic rates as a local tax, reducing central grant to the amount required to equalise difference in resources in different areas (based on average incomes) and introducing a new local source of revenue, preferably a local income tax.

**In Defence of Local Government; £2.40; Institute of Local Government Studies, Birmingham University, PO Box 363; Birmingham.*

Financial deficit forecast for banking sector

BY WILLIAM HALL

THE UK banking sector is moving into a period of financial deficit and the consequences are bullish for sterling, according to the latest monetary bulletin from W. Greenwell & Co., stockbrokers.

Last December, Greenwell forecast the banking sector was *moving* out of deficit and into surplus and said this would be bearish for sterling.

Since the end of 1980 sterling has fallen by 23.4 per cent against the dollar. Its effective exchange rate against a basket of other currencies, as measured by the Bank of England, has fallen by 13.8 per cent.

Greenwell says another cyclical reversal in the banking sector's flow of funds is about to take place but this time it is out of surplus and into deficit. The consequences would be bullish for sterling, probably after a time-lag of several weeks.

The firm says that while the move would not be the only factor determining the exchange rate it could well have a significant influence, tending for a time to make sterling react well to good news and discount bad news.

Greenwell and Co. charted the banking sector's domestic financial deficit, expressed as an annual moving total, and the annual change in sterling's effective exchange rate.

It discusses two possible outcomes — a banking sector domestic financial deficit of £2bn in the year to March 1982, or approximate balance.

Even if the second possibility proves to be the case, Greenwell says an important bearish factor for sterling would have been eliminated.

Simon and Coates, another *firm of stockbrokers, is also* moderately bullish about sterling. In its latest Exchange Rate Analyst the firm forecasts that if sterling could weather the coming winter shock from U.S. interest rates the pound would be expected to rise above $2.0 in 1982.

● The first set of monthly trade figures to be published for seven months will be issued tomorrow afternoon, when the Trade Department releases the September trade figures.

Recession 'hits council tenants'

COUNCIL TENANTS have been hardest hit by the recession in the past year, says a Reward Regional Services cost-*of-living survey published to*day.

Higher rents and rates have raised their housing costs by 32 per cent in the year. Overall a *family with an income* of about £6,500 a year, would have needed a 19.5 per cent rise in income to maintain its standard.

Those faring best were middle-class families with three-bedroomed detached houses. Their living costs would have required a rise in income of 9.3 *per cent.*

The four-monthly survey, made in September in 106 towns, showed price inflation rate trends throughout the regions remarkably similar.

The average price of a three-bedroomed semi-detached house in Yorkshire is £20,175, compared with £33,100 in the South-East.

UK Regional Cost-of-Living Report, Reward Regional Surveys, 1 Mill Street, Stone, Staffordshire, £27.

National savings do well but may miss 1981 target

BY ERIC SHORT

THE REMOVAL of the age limit for buying index-linked national savings certificates, formerly known as granny bonds, has been a great success.

The national savings target for the year may yet, however, not be achieved. In a new effort to boost sales, therefore, the limit on the amount of granny bonds an individual can hold has been raised from £3,000 to £5,000.

Also, details of a new non-indexed national savings certificate will be announced this week.

The granny bonds age limit was lifted on September 7, with the result that sales in that month raised £145.6m, compared with £78.7m in August. Total net receipts from all national savings in September was £228m.

The boost caused by making granny bonds available to everybody helped to raise the national savings total in the first six months of the fiscal year to just over £2bn, over *half the Government's target* of £3.5bn for the year.

The first-half figures look better than they are because of exceptionally high receipts in April. The necessary average inflow of £250m a month which would be needed to meet the final target has not been achieved in recent months.

Business contest launched

BY JAMES McDONALD

NOTTINGHAM City Council has launched a Business Ideas Competition offering prizes of *£5,000, £3,000 and £2,000* for the best suggestions for new small business ventures.

The contest is open to small companies with under 50 employees, community groups and individuals and is aimed at creating new jobs in the city, *since a condition of the contest* is that the winners must be prepared to locate their business in Nottingham. Entries close on February 1 next year.

Esso ethylene plant costs may exceed £500m

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE ESTIMATED cost of Esso Chemical's 500,000 tonnes-a-year petrochemical project at Mossmorran in Fife has soared to £500m, 38 per cent more than the £360m quoted only a few months ago.

Five weeks ago Esso Chemical admitted the forecast cost of the huge petrochemical plant had risen to "over £400m." It refused to say exactly how far over £400m the cost estimates had gone, but industry experts say it is now clear the true figure has hit the £500m mark and that the final cost could be even higher.

Esso insisted on sticking to its "over £400m" formula at the weekend. It would neither confirm nor deny the £500m estimate, but it stressel that work on the project was going ahead largely on schedule.

The plant will use ethane gas from the Shell/Esso Brent field in the North Sea as a raw material for making ethylene—the so-called "building-block" of the petrochemical industry. Ethylene is used to make a wide range of things from plastics to solvents and paints.

The plant was originally due to be completed in 1984, but the start-up date has now been put back to 1985. There has been strong speculation that the plant will not actually be finished until 1986, but Esso said it was completely confident it would be able to meet the 1985 target date.

Earlier in the summer, there were fears Esso might abandon the entire project on the grounds that it would not prove economically viable because of Western Europe's massive overcapacity in ethylene.

The company subsequently managed, however, to wring a series of financial concessions from the Government on such things as the rates payable at the site. Its threat to halt the building of the plant was lifted.

Esso Chemical said the two or three months spent negotiating the concessions with the Government had neither delayed the project significantly nor helped to push up costs. Some of the design work might have "slipped a very little" but work on the site itself was, if anything, ahead of schedule.

When Esso announced the estimates for the Mossmorran project had gone to "over £400m," it blamed the increase on a number of factors including the need to carry out further, more detailed design work. Inflation had been another important element in the increased cost.

Although the Mossmorran plant will be owned and run by Esso Chemical, Shell is meeting half the cost and it will also take 50 per cent of the ethylene produced at the site.

Shell is currently building a gas separation plant at Mossmorran. This will supply the petrochemical plant with its ethane gas raw material.

The UK has a poor record for building major petrochemical plants on time and on budget. Despite the dramatic rise in the estimated cost of the Mossmorran petrochemical plant, however, both Shell and Esso insist—with some pride—that the two projects are right on target for their completion dates.

INSURANCE

CBI wins sick benefit reform

BY ERIC SHORT

THE RADICAL changes the Government has agreed to make in its proposed scheme to make employers responsible for paying sickness benefit to employees means it has accepted unreservedly the amendment suggested by the Confederation of British Industry and other employers' organisations on the compensation method.

The Government's proposals for employers to take over from the social security system the responsibility of making sickness payments to their employees were put forward in a Green Paper in April last year. Under them, employers will have a statutory obligation to pay a *minimum* flat-rate benefit related to current social security benefit levels in the first eight weeks of an employee's illness.

Thus, instead of the present system under which payments relate to family size, employers, under the new benefit levels operating from next month, will pay a minimum of £37 a week to all employees when ill.

This Employers' Statutory Sick Pay (ESSP) scheme will meet the Government's objective of taxing sickness benefits, because payments will fall under the Pay As You Earn system. It will also eliminate administrative duplication between employers and the Department of Health and Social Security, saving Civil Service jobs.

The unions and various social pressure groups oppose the whole concept of ESSP, while the Confederation of British Industry and other employers organisations have welcomed the scheme in principle. They have, however, opposed all suggested methods of compensation to employers.

The original Green Paper proposed all employers receive a 0.5 per cent reduction in their National Insurance contribution rate. This was revised to 0.6 per cent, with small employers receiving additional compensation.

The CBI had two main objections. First, this method would cause severe cash-flow problems in times of heavy financial pressure. Second, manufacturing and many other industrial sectors were subject to higher-than-average absenteeism through sickness and would not be compensated by this National Insurance contribution reduction.

The CBI calculated that to break even over a period the mining industry would need a 2.3 per cent reduction and brick-manufacturing 1.6.

The CBI disputed the Government's costings. It estimated the break-even figure to be a reduction of at least 0.9 per cent.

The CBI and other employer organisations proposed instead that employers should offset the complete cost of sickness payments against their monthly remittance of National Insurance contributions—known as "100 per cent self-deduction."

Mr Patrick Jenkin, then Social Services Secretary, was not willing to accept this when it was put to him a year ago. He said there would be no incentive for employers to control payments, there would be opportunity for large-scale fraud, and a check would be needed, for public accountability reasons, on payments.

The operation of such a scheme would have required many more civil servants.

The Government then put forward two alternative methods of compensation to match more closely the amount paid by employers, including a 50 per cent self-deduction. At the same time, it postponed the start of ESSP from April 1982 to April 1983, to allow time for discussion.

Employers remained united, however, in demands for 100 per cent self-deduction. Last week the Government gave in. Mr Norman Fowler, the new Social Services Secretary, defended the change by stating the Government was concerned to help industry at this particular time and not to impose additional financial burdens.

Introduction agencies associate

By Joe Rennison

LONELY-HEARTS seeking a partner in life might be comforted by the news that the agencies used by many of them have made a move to improve their image and respectability by forming a trade association called the Association of British Introduction Agencies.

The association was launched last week under the auspices of the Office of Fair Trading (an unfortunate name for a Ministry, under the circumstances). It represents 87 per cent of the main agencies in the UK. A code of practice has been drawn up. The agencies have vowed to abide by it.

A secretary, Dr R. G. Mullan of the University of East Anglia, has been appointed. He will be independent.

The aims of the association are to improve the services provided and to act as arbitrator between the public and the introduction industry. Dr Mullan said the association would provide, first and foremost, reassurance for the general public that an impartial body existed for its protection.

Furniture trade still struggling

By James McDonald

THERE IS no sign of any lessening of the depression in the furniture industry, according to the latest Departments of Industry and Trade statistics, published today in the official journal, British Business.

Deliveries of domestic furniture by manufacturers in August, were worth £60.7m at current values, compared with £64.5m in July and with £64.6m in August, 1980.

The seasonally-adjusted ndex of deliveries in August, at 83 (1975=100 on a 1975 constant price basis) was 1.2 per cent lower than in July and 10.7 per cent below the level of a year before.

The average index figure for the three months June to August, at 85, was 1 per cent higher than in the previous three months but was 9.5 per cent lower than in the same period of 1980.

The index for orders on hand stood at 52 at the end of August—nearly 4 per cent lower than a month before and 8.8 per cent less than at end-August 1980. The average for the three months June-August, however, at 53, was 7.2 per cent higher than in March-May and only 2.6 per cent lower than in the same period of last year.

This week in Parliament

HOUSE OF COMMONS

Monday: Remaining stages of Companies No 2 Bill.

Tuesday: Remaining stages of Companies No 2 Bill. Motions relating to the Grant Aided Colleges (compensation) Scotland amendment regulations.

Wednesday: Consideration of Lords messages relating to the Matrimonial Homes (Family Protection) (Scotland) Bill, Education (Scotland) Bill. Motions relating to the Hereford and Worcester Trial order, Education (Scotland) Lothian Regional Councils Transfer Scheme 1980.

Thursday: Consideration of Lords amendments to the Education Bill. Motions on EEC documents 9953/80 on Protection of Workers from Asbestos, and 5682/80 on Marketing and Use of Certain Dangerous Substances.

Friday: Second readings of the Betting and Gaming Bill (Lords) proceedings of five consolidated measures: Acquisition of Land Bill (Lords); Compulsory Purchase (vesting declaration) Bill, New Towns Bill (Lords); Broadcasting Bill (Lords); Motion on EEC documents 9361/1980 micro electronic technology.

HOUSE OF LORDS

Monday: Education Bill Second Reading; Wildlife and Countryside Bill, consideration of Commons amendments.

Tuesday: British Nationality Bill Third reading.

Wednesday: Debate on the 37th report of the EEC on employee consultations; debate on the 42nd report of the EEC on cereal substitutes.

Thursday: Laboratory Animal Protection Bill (Third reading); Unstarred Question on the 26th report of the EEC draft convention on bankruptcy; Unstarred Question on the distribution of extremist literature to schools.

TELEVISION

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.08 For Schools, Colleges. 10.00 You and Me. 10.15-12.07 pm For Schools, Colleges. 12.30 News for England (except London) Afternoon. 12.57 Regional News London and SE only: Financial Report, and News Headlines. 1.00 Pebble Mill at One. 1.45 Chock-a-Block. 2.01 For Schools, Colleges. 3.00 See Hear! 3.25 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School. *4.20 Mighty Mouse.* 4.25 Jackanory. 4.40 Jigsaw. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
6.00 Nationwide (London and South East only).
6.25 Nationwide.
6.55 Angels.
7.20 Blake's Seven.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "The Duchess and the Dirtwater Fox" starring George Segal.
11.05 Film 81.
11.38 News Headlines.
11.40 Speak for Yourself.

BBC VARIATIONS

Cymru/Wales—12.57-1.00 pm News of Wales. 1.45-2.00 Pili Pala. 6.00-6.25 Wales Today. 6.55-7.20 Heddiw. 12.05 am The Sky at Night. 12.25 News and Weather for Wales.

Chris Dunkley: Tonight's Choice

An unusual night: with careful timing I shall fit in everything I want to see just by punching buttons. There are no bad clashes. The third in BBC-2's **Tales Of Twelve Cities** features Bristol as seen by Ron Nethercott, regional secretary of the TGWU which began in that city.

In **Panorama** on BBC-1 Tom Mangold, whose reports earlier this year on British intelligence caused such a furore, now reports on the KGB's activities in the West. The programme is principally an analysis of the threat posed by the Russian secret service but it also reveals the KGB's vulnerability. Mangold explains: "As the era of the ideologically motivated spy draws to a close, as the 'believers' like traitor Kim Philby begin to vanish, the KGB must rely increasingly on bribery or sexual entrapment and blackmail to find agents, and as it does its achievements seem to diminish correspondingly."

Quincy, which starts a new series on ITV, is worth watching occasionally just for Jack Klugman, an actor who has never surpassed his performance in "The Odd Couple" but who can still find something to make his own, even in a middling American law series such as this. He plays the smart pathologist always two steps ahead of the detective. Best of all tonight, there's the musical clown Neil Innes in another barmy **Innes Book Of Records** on BBC-2.

BBC 2

10.10 am Supervisors.
10.35 Speak for Yourself.
11.00 Play School.
11.25 Write Away.
1.55 pm A Woman's Place?
2.20 Let's Go.
2.35 Inside Japan.
3.05 Television World.
3.30 A Primary Response.
6.35 Paint!
7.20 News Summary.
7.25 Tales of Twelve Cities.
8.10 Des O'Connor Tonight.
9.00 A Kick up the Eighties.
9.30 Horizon.
10.30 The Innes Book of Records.
10.55 Newsnight.
11.40-12.10 am Heute Direkt.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Wild, Wild World of Animals. 1.00 News plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Farmhouse Kitchen. 2.00 The Riordans. †3.00 Monday Matinee: Edmund Lowe and Constance Cummings in "Seven Sinners." 4.15 Bugs Bunny. 4.20 The Sooty Show presented by Matthew Corbett. 4.45 Dangermouse. 4.55 Stig of the Dump. 5.15 Botanic Man with David Bellamy.

5.45 News.
6.00 Thames News with Andrew Gardner, Rita Carter.
6.25 Help! Gran has been arrested, what are her rights?
6.35 Crossroads.
7.00 Bullseye.
7.30 Coronation Street.
8.00 Never the Twain: Donald Sinden and Windsor Davies in "Father of the Groom."
8.30 World in Action.
9.00 Quincy starring Jack Klugman.
10.00 News.
10.30 pm Monday Thriller: Jack Palance and Simon Ward in "Dracula."
12.25 am Close: Sit up and Listen with David Steel.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Botanic Man. 1.20 Anglia News. †2.00 Monday Film Matinee: "The Man Who Shot Liberty Valance," starring James Stewart, John Wayne and Lee Marvin. 5.15 Bless Me, Father. 6.00 About Anglia. 6.30 Survival. *10.30 Anglia Reports.* 11.00 Anglia Late News. 11.05 A New Kind of Family. 11.35 The Monte Carlo Show. 12.35 am Reflection.

ATV

12.30 pm Botanic Man. 1.20 ATV News. 2.00 Rendezvous with Romance: "Two for the Road," starring Audrey Hepburn and Albert Finney. 4.05 Windows. 5.15 Joe 90. 6.00 ATV Today. *10.30 Left, Right and Centre.* 11.10 ATV News. 11.15 Roots. 11.45 The New Avengers.

BORDER

12.30 pm Botanic Man. 1.20 Border News. 3.00 Matinee: "Battle of Rogue River," starring George Montgomery. 5.15 Survival. 6.00 Lookaround Monday. 6.15 The Spinners and History. 6.45 The Black and White Picture Show. 10.30 Baretta. 11.30 Border News Summary.

CHANNEL

12.30 pm Botanic Man. 1.20 Channel Lunchtime News, What's On Where and Weather. †2.00 The Monday Matinee: "A Night to Remember." 5.15 Happy Days. 6.00 Channel Report. 6.25 Ladies First. 10.28 Channel Late News. 10.34 Ladies Man. 11.00 That's Hollywood. 1.30 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 12.30 pm *Botanic Man. 1.20 North News.* †2.00 Monday Matinee: "The Hill," starring Sean Connery, Ian Henry, Ian Bannen and Michael Redgrave. 5.15 Mork and Mindy. 6.00 North Tonight. 6.30 Out of Town. 10.30 The New Avengers. 11.30 Cover to Cover. 12.00 In Concert. 12.30 am North Headlines.

GRANADA

12.30 pm Botanic Man. 1.20 Granada Reports. 2.00 Monday Matinee. "Alfred *the Great,*" starring *David Hemmings* and Michael York. 5.15 Give Us a Clue. 6.00 Granada Reports. 10.30 Ladies' Man. 11.00 Charlie's Angels.

HTV

12.30 pm Botanic Man. 1.20 HTV News. 2.00 The Poetry of Landscape. †2.15 "*Passage Home,*" starring Anthony Steel, Peter Finch and Diane Cilento. 5.15 The Flintstones. 6.00 Report West. 10.28 HTV News. 10.30 "Get Carter," starring Michael Caine.

HTV Cymru/Wales—As HTV except: 12.00-12.10 pm Ffalabalam. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

12.30 pm Botanic Man. 1.20 News and Road Weather. †2.00 Monday Matinee: "Double Bunk," starring Ian Carmichael, Janette Scott, Sidney James and Liz Fraser. 3.45 Survival. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 Showcase Theatre. 11.00 Encore for the Arts, with Anne Lorne Gillies and Alastair Moffat. 11.45 Golfing Greats (Gary Player). 12.15 am Late Call.

SOUTHERN

12.30 pm Botanic Man. 1.20 Southern News. 2.00 Houseparty. 2.25 "Breaking Up," staring Lee Remick. 5.15 *Happy Days.* 6.00 Day by Day including Southsport. 10.35 Thriller: "Kiss, Kiss, *Kill, Kill.*" 12.00 Superstar Profile.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 12.30 pm Botanic Man. 1.20 North East News and Lookaround. 2.00 Portraits of Power. †2.30 Monday Matinee: "To Be or Not to Be," starring Jack Benny and Carole Lombard. 5.15 Happy Days. 6.00 North East News. 6.02 Give Us a Clue. 6.30 Northern Life. 10.30 North East News. 10.32 Briefing. 11.15 Lou Grant. 12.15 am The Week of Prayer for World Peace.

ULSTER

12.30 pm Botanic Man. 1.20 Lunchtime. 2.30 Monday Matinee: "The Seven Sinners." 4.13 Ulster News. 5.15 Joe 90. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 Rockstage. 11.30 Bedtime.

WESTWARD

12.30 pm Botanic Man. 1.20 Westward News Headlines. †2.00 The Monday Matinee: "A Night to Remember," starring Kenneth More. 4.13 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 10.32 *Westward Late News.* 10.34 Ladies Man. 11.00 That's Hollywood. 11.30 Faith for Life. 11.35 West Country Weather and Shipping Forecast.

YORKSHIRE

12.30 pm Botanic Man. 1.20 Calendar News. 2.00 Bygones. 2.30 Monday Matinee: "The Winds of Kitty Hawk." 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 It's a Vet's Life. 10.30 Benson. 11.00 The Monte Carlo Show.

RADIO

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Stay n' Alive. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News: Sport. 6.00 David Symonds with Much More Music (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Pop Score. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 Two's Company (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 9.05 This Week's Composer: Rachmaninov (S). 10.00 Beethoven (S). 10.25 Malcolm Arnold, Lennox Berkeley flute and piano recital (S). 11.10 Bournemouth Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 Matinee Musicale (S). 3.05 Bath Festival 1981 Choral recital (S). 4.10 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 "Arabella" Opera in three acts by Strauss from the Royal Opera House, Covent Garden (sung in German) Act 1 (S). 8.00 Doubt Everything at Least Once. 8.20 "Arabella." Act 2 (S). 9.10 The Living Poet. 9.35 "Arabella." Act 3 (S). 10.30 Bartok piano music (S). 11.00 News. 11.05-11.15 Emil Gilels plays Schumann (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.45 John Ebdon with recordings from the BBC Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 9.55 The Royal British Legion. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Joke by Joke . . . by Lawrence Durrell (S). 12.55 Weather; Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 What a Job! 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News, including Financial Report. 6.30 I'm Sorry I Haven't a Clue (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

Test ruling before Scarman verdict

WAITING for Scarman is every bit as theatrical as Samuel Beckett's famous play although unlike Godot who never transpired, the report on the Brixton disturbances in mid-April is imminent.

All through the summer months, there has been keen anticipation that Lord Scarman's report will emerge as a radical document that will form the first, deliberate step towards changing the face of policing in Britain.

A foretaste of things to come from the approach of Lord Scarman's judicial colleagues to modern police problems will appear tomorrow, when the Court of Appeal delivers its judgment on a little domestic difficulty encountered in a corner of Cornwall, where protesters are effectively blocking the development of a nuclear power site by the Central Electricity Generating Board.

The board is seeking from the courts an order directing the Chief Constable of Devon and Cornwall, who incidentally has been the loudest and stoutest proponent of community policing, to use his police powers to eject the protesters.

Mr John Alderson has declined to intervene because, in his judgment, there is no threatened breach of the peace that would warrant the deployment of criminal law powers. And so he has stood aside, waiting (perhaps Godot-like) for a move by the board to *remove the protesters physically* from the site, when no doubt police officers of the Devon and Cornwall Constabulary would be ready to hand to ensure that there was no breach of the peace.

Until that moment stalement, in the form of a persistent flouting of the law by the protesters and a continuing disinclination by the board to take positive action, prevails. Hence the resort to the courts.

Some years ago, Mr Raymond Blackburn single - handedly challenged the traditional atti*tude of the courts, which was* to declare that in the carrying-out of the duty of enforcing the law, chief officers of police have a omplete discretion whether to act, and the courts will not interfere with their decisions.

But twice, in attempts to force the Commissioner of the Police of the Metropolis to clean up—first, gaming prior to the Gaming 1968, and then pornography in Soho — the courts were pressed to abandon their hands-off policy.

The Court of Appeal in both those cases indicated that there might be extreme instances in which the judges felt the police were wrongly refusing to carry out their duty as law enforcers, when intervention from the courts might be justified. But neither of those cases was felt to be the moment for intervention.

The police were, however, put on notice. During the argument last month in the Cornwall case, Lord Denning returned to the same theme and was obviously champing at the bit, keen to intervene so as to maintain the rule of law. Policing zy prerogative order (the form of order whereby courts can order the executive arm of Government to perform their legal duties) has become a distinct possibility.

While the court's judgment tomorrow is likely to stop short of issuing such an order to Mr Alderson, there is every indication that Lord Denning and his judicial calleagues will indicate in some detail how they think the police should involve themselves in breaking the deadlock, so as to let the Central Electricity Generating Board get on with exercising its statutory powers to provide civil nuclear energy for Cornishmen and other inhabitants of the South-West.

It is a tantalising prospect that the judges, too, want to have a say in how the police should exercise their powers on behalf of all of us.

Much of what was said, almost *ad nauseam*, to Lord Scarman was that the public should have a direct influence on various *aspects of policing in modern* Britain.

Accountability of policing to local authorities, the establishment of community police councils as a permanent liaison between local representatives and senior police officers, and an independent element in the investigation of complaints by the public of individual police conduct were just some of the main suggestions for change.

Over and above that, there was a critical appraisal of the police methods deployed in the recent past towards the policing of inner-city areas with high ethnic minority populations. Remoteness of the police from the needs and desires of the public was uppermost in the voluminous evidence submitted to Lord Scarman.

What then has prompted this swing towards a radical reappraisal of civil policing in modern industrialised socviety?

In the past, the police have undoubtedly achieved a large measure of success. This has been due to three principal factors.

By tradition, the police adopted a demenour calculatedly mild in manner, by contrast with their Continental counterparts, which have been armed forces under central government *control.*

Second, the public has accepted the police on their own terms; and third, a general satisfaction with the arrangements for making the police amenable to democratic process and answerable for their actions under the established law has prevailed.

Until the advent of the motor vehicle and the widespread use of cannabis, the police rarely had to exercise their power against anyone other than the working class. In recent years, the middle and upper classes came into direct conflict with the police and as a result tended to mould public opinion in a much more critical fashion.

It is not that the police have changed for the worse; rather that society has changed dramatically and the police have, to a great extent, failed to respond to these changes. The police have become larger, better-equipped and more selective in their recruiting.

In becoming more professional in the use of resources, they have developed techniques that have lead to a distancing of the ordinary policeman from the citizen.

Policy considerations of how to police a modern society have never quite matched the complexities of society. Confidence in the police has waned. The riots of this summer palpably demonstrated that the relationship between police and public no longer remains calm and assured.

The police may hardly have deserved the loss of public confidence. Police forces have set about maintaining good public relations, but never the less, they have forfeited the support of large sections of the public.

Brixton was a classic instance of the police failing in valiant attempts to gain the continued support of the public they police. If the press reports of *statements* from Lord Scarman accurately reflect his thinking, the responsibility for the withdrawal on a significant scale of public support lies squarely with the politicians for having neglected the framework in *which policing policy can adapt* itself to the changed society.

Lord Scarman's report may be critical of the Metropolitan Police, but it will place the future role of the police squarely on the shoulders of Ministers and Parliamentarians.

Whether the political response is forthcoming will depend much on the acceptability of the report. The police themselves will have to abandon the complacency so much in evidence in the submissions made to Lord Scarman. The personal statement from Sir David McNee to Lord Scarman was unbelievably lacking in self-criticism.

Policing is a delicate art, calling for the most sensitive treatment of complex social factors. If the police can properly point to appalling housing and unemployment as prime factors in disturbing the equilibrium of inner-city areas—factors that are not easily or quickly removable—they need to adapt policing practices to cope with the disprivilege that lack of basic amenities produces.

It may mean that even the criminal process must be much less in evidence to deal with all but the most unacceptable of criminal behaviour. Lord Scarman's prescription for the way forward can hardly be more important for the continued stability of Britain.

THE WEEK IN THE COURTS

BY JUSTINIAN

Arsenal pay price for transfer fee stand

SOCCER

JAMES FRENCH

YOU CAN park much nearer to Highbury Stadium on Saturdays these days. The club once rated as British soccer's Bank of England side is feeling the pinch.

Home League gates this season has been 28,012; 26,527; 19,588; 39,795; and 25,470—each more than 10,000 down on comparable gates last season. This represents a drop of at least £30,000 in income per game, when profits on programmes and refreshment are included.

Arsenal are the victims of a vicious spiral. In the last 18 months they have lost, at the end of their contracts, two talented Republic of Ireland players, Liam Brady to Juventus of Italy, and Frank Stapleton to Manchester United. They have recouped a little over £1m in return—well under a third of their value on the open market.

They have committed themselves to not paying inflated £1m-plus fees for players. They are among the highest wage-payers in the Football League, with a syst emthat gives extra weighting to long service and loyalty.

Yet even if they were willing to lay out £3m on two replacements, they could scarcely attract two players in these islands with half the ability of Brady and Stapleton. Maybe they should step up their search abroad, where they might pay less to the clubs, but more to the players.

The British soccer transfer system has gone haywire, and club directors, who hold the purse-strings, are to blame—not just the managers.

While it is proper to reward managers who exercise shrewd financial judgment in the sale and purchase of players, it is clearly inflationary to award managers a percentage of fees received for departing players, if account is not taken of expenditure on their replacements.

So Arsenal's stand of principle is to be applauded. But *how are they* to restore their crowd-drawing potential if there is no magic on the field? And how can they buy the magicians if the cash flow is not there?

But, workaday though Saturday's 1—0 victory over Manchester City was (and it was only their third win in 10 Division One games), there are chinks of hope.

City's manager, Mr John Bond, who joined them well through the season, when they were under dire threat of relegation, made a series of judicious inexpensive *short-term* purchases. These so revived the side that they not only rose comfortably to safety, but also fought their way to the FA Cup Final, which they took to a replay, thus replenishing the club's finances.

If City felt that their experienced substitute Phil Boyer need not be called on in a bid to draw level after Arsenal's 68th minute goal, surely he might be available at reasonable fee to inject some vigour and proven scoring ability into the Highbury squad. A short-term move, but time needs to be bought.

That goal was taken coolly by Arsenal's black centre-forward, Raphael Meade, aged 19, with a low angled shot—one of the few ways to beat Manchester's 6 ft 4½ in goalkeeper Joe Corrigan.

Another tall black lad, central defender Chris Whyte, 20, played with quiet discipline, never trying to be over-ambitious, but making sure he did the simple things efficiently.

So Arsenal need some cool nerve, and some patience, as do their supporters, and one or two good bargains. After all, Manchester City sought to improve on their achievements of the second half of last season by buying Trevor Francis, one of England's few really talented forwards, for £1.2m.

He has been injured with a right knee ligament injury for a month, and still needs time to recover.

Australians bring much-needed fresh air

RUGBY

PETER ROBBINS

THE AUSTRALIANS have always been popular tourists and this season's party has arrived with a justifiably fine reputation. Our rugby desperately needs a breath of fresh *air. The large crowd at Leicester* on Saturday was proof of a widespread interest in good and interesting rugby. We are all thoroughly sated by mediocrity at club level and look to these Wallabies to enliven our domestic scene.

Despite losing their opening match, sponsored by Thorn-EMI, 10-16 to the Midland Division, and the resulting dent to their confidence, I feel quite certain that this touring team will bounce back.

Setting aside technical and physical problems, three factors affected Saturday's match. First, it was clear that the Australians were rather edgy, as was manifest in the occasional over-aggression in the tackle. Second, the drizzle and then rain in the second half discomfited them *more than the Midlands. Finally* there was the choice of McLean at fly half who was presumably included to lend maturity to the three-quarters and to kick the goals.

He is obviously an extremely talented footballer but not I think, a natural fly-half. There was obviously a case for his inclusion and, appreciating fully that the Australians were anxious to get the tour off to a good start, a more inspired but riskier choice might have been Mark Ella.

Apart from Wheeler and to a lesser extent Jeavons, the Midlands pack contains no really outstanding individuals, yet by technique alone in the set scrum and line out, a united Midlands pack played the Wallabies forwards comprehensively.

That is perhaps symptomatic of two entirely different approaches, and an indication as to how much the pendulum has swung here in favour of forward play.

Peter McLean and Hall had some early success in the line out, but later Wheeler picked off the tapped ball with ease. But there is much work to be done in every department of the forward play where the back row, particularly Poidevin and Cornelson, will have to play key roles if they are to win the loose ball.

With possession so varied, little was seen of the exciting three-quarters who, to my mind, were far too cramped to allow themselves room for manoeuvre. Quick passing is effective when *the alignment is correct and* in Martin and Moon, Australia have two classy wings, ably supported by the highly gifted full back Gould.

Australia had cause to be grateful to Gould for his safe catching and lengthy clearances. I would expect to see far more running from the base of the scrum when Hipwell returns

Vayrann boosts Maryland

RACING

BY DOMINIC WIGAN

NEXT month's November 7 renewal of the $200,000 Washington DC International looks set to receive a much-needed boost, for both Vayrann and his closest pursuer in Saturday's Champion Stakes, Cairn Rouge, are earmarked for the Maryland race.

The Laurel event which has been on a steady decline in recent years, *principally due to* lack of cup class challengers from overseas, and fierce competition from other better endowed world ranking races, again appears to be beyond English horses. However, there must be every prospect of both France and Ireland's Newmarket principals again acquitting themselves with distinction.

Vayrann, in particular, will be hard to contain for he is improving with every race at a time when most of his contemporaries are on the decline.

A dour battler, who hung on to third place in Longchamp's mile and seven furlongs Grand Prix de Paris after failing to get the trip, Vayrann was seen to far better advantage over that course's shorter Prix du Prins d'Orang following an 11-week break.

He will not be inconvenienced by either the tight turns or the potentially sloppy ground of the Maryland track.

Cairn Rouge, who stuck to her Champion Stakes task like a terrier, will again be ridden by Tony Murray.

In the less distant future on the other side of the Atlantic Detroit will be back in action. *The 1980 "Arc" heroine takes* in Saturday's $300,000 Turf Classic at New York's Aquaduct course.

Piggott, in action yesterday in Canada's international championship at Toronto, is back in action for the bread and butter fare at Leicester this afternoon. There the best race from the particularly uninspiring autumnal fare may be the lightly raced Hillsdown Lad.

LEICESTER
2.50—Wise Choice**
3.45—Hillsdown Lad***
5.10—Round Tower*

هكذا من الأصل

Mersey dockers call off week-long stoppage

BY OUR LABOUR STAFF

THE STRIKE by 3,500 Mersey dockers which closed the loss-making Port of Liverpool for a week was called off yesterday. The men are returning to work this morning.

A mass meeting of about 2,000 of the men at Liverpool Boxing Stadium overwhelmingly accepted their shop stewards' recommendation to go back. A week ago they had almost unanimously backed a recommendation to strike.

Their decision means that cargo handling can resume on eight deep-sea ships and five coasters and that discharging can commence on a bulk grain-carrier which came into the port during the stoppage.

The settlement of the strike, which comes as a relief to shippers and shipowners, was welcomed by the Liverpool Port Employers' Association.

It is impossible ot say exactly how much the strike has cost the port. The loss was calculated at £200,000 a day, but that was arrived at simply by dividing up last year's revenue for the Mersey Docks and Harbour Company alone.

The dispute which sparked off the strike arose when a palletised cargo broke loose on board a Ghanaian ship. The dockers said eight men instead of the usual four would be needed for the job. The stevedoring company, Liverpool Maritime Terminals, refused to go beyond six. This matter has now been settled.

Mr Dennis Kelly, chairman of the port shop stewards' committee, said the supervisor had not understood that even under the recent pay-and-productivity agreement it was still necessary for such disputes to be referred to a sub-committee of the port modernisation committee, on which management and union officers sit.

The controversial reduced manning levels agreed five weeks ago will remain, but Mr Kelly said that an agreement had been reached on the port's "rulebook" which would prevent further strikes.

Any further changes to the rulebook will be discussed, and any disagreements would be taken to the port industry's National Joint Council.

Meanwhile, employers and Transport Workers' representatives meet again today, and the employers have agreed to defer for a week final changes in working practices, agreed under the recent package deal, which were due to be introduced next Monday. This will allow both sides to discuss implementation of them thoroughly.

Unions seek joint assault on 4%

BY JOHN LLOYD, LABOUR CORRESPONDENT

A GROUP of powerful union leaders will use next Wednesday's meeting of the TUC General Council to press for a co-ordinated strategy by workers in the public sector which would drive holes through the Government's 4 per cent pay limit.

Leaders of the TGWU, the biggest union, with members in almost every branch of the public sector, will take the lead in urging a conference of all unions with public-sector members to agree the ground rules for such a strategy.

The TGWU will be supported at the General Council by the National Union of Public Employees and the Association of Scientific, Technical and Managerial Staff. The General and Municipal Workers' Union, which also spans most of the public sector, is more cautious of the plans, but likely to give support.

The case for the conference, which would raise the temperature of the winter bargaining round and encourage militants anxious for a trial of strength with the Government, was put last week in the TUC Economic Committee, where it gained broad assent.

Mr Larry Smith, TGWU executive officer and second-in-command in the continued absence of Mr Moss Evans, the general secretary, said there that *an effective challenge to the Government could be mounted only if unions' actions were co-ordinated.*

The TGWU will organise a conference of its public-sector members, probably next month, including widely different groups such as council manual workers, whose negotiations have reached the stage of threats of industrial action, dockers, national health service workers, industrial civil servants, steelworkers and BL car workers.

Largely because of the diversity of the groups, senior officials have dismissed the more optimistic strategies built round attempts at a common *pay claim, or even a common* settlement date.

Government intervention in BL Cars row sought

By Brian Groom, Labour Staff

THE GOVERNMENT was yesterday urged to intervene in the BL Cars pay dispute amid warnings about the level of unemployment which would follow if Sir Michael Edwardes, BL's chairman, executed his threat to liquidate parts of the company.

There were two separate calls. One came from Mr Stan Orme, Labour front-bench spokesman on industry. The other came from Mr Terry Duffy, president of BL Cars' second largest union, the Amalgamated Union of Engineering Workers.

The appeals were provoked by the crisis facing the company following Friday's overwhelming vote by the workforce for a strike from November 1 over BL's 3.8 per cent pay offer, and Sir Michael's insistence on a tough line.

Mr Orme wrote to Mr Patrick Jenkin, Industry Secretary, urging him to act so that normal negotiations could be resumed without delay.

"The threat contained in Sir Michael Edwardes's letter concerning closures and sackings should be withdrawn and the trade unions and management should therefore then be able, unfettered, to resume negotiations," he said.

Mr Jenkin implied, however, in a television interview on Friday that the Government had approved Sir Michael's closure threat beforehand.

The anger of Mr Duffy who in the past has aided Sir Michael's fight against shopfloor militancy, was underlined yesterday. Claiming the BL closure could kill 2m jobs across the economy, he said: "I don't believe a man should have that power and I think the Government should intervene."

He said there was no sign Sir Michael wanted to meet unions to discuss the crisis. He said the AUEW executive, which meets tomorrow, would endorse the strike vote.

BL shop stewards will on Thursday report back on shop-floor opinion to union officials. There has been speculation that a meeting between management and unions scheduled for that day, on implementation of the 39-hour week, could be turned into a wider bargaining session.

Editorial Comment, Page 12

Staff strike at Lucas plant

By Our Labour Staff

LUCAS AEROSPACE has been hit by a strike of more than 1,200 clerical, production and technical staff at its Shaftmoor Lane plant in Birmingham.

The strike began on Wednesday in support of 62 clerical and 13 production workers whose wages, the unions said, were stopped by the company *after they refused to use new* technology-based equipment unless they were given some payment for its introduction.

The combine workers' committee at Lucas Aerospace claimed yesterday that payments for the introduction of new technology had already been made in other parts of Lucas and in other companies.

NCB intends holding coal prices for a year

BY BRIAN GROOM AND JOE RENNISON

COAL PRICES will be held for the next 12 months as an important part of the National Coal Board's strategy to secure maximum sales during the recession, Sir Derek Ezra, chairman, said yesterday.

Speaking at a National Union of Mineworkers' weekend school at Whitley Bay, Sir Derek said the NCB was trying to win a bigger share of the home market, and keep up exports

"The coal prices we have announced from November 1 are significantly below the levels of general inflation," he said.

A fourth candidate has come forward in the election to succeed Mr Gormley. He is Mr Bernard Donaghy, president of the Lancashire miners, who is putting himself forward as a compromise candidate.

The Left is dismissing his *candidacy and that of Mr Ray* Chadburn, the Nottinghamshire president, as a sign that the Right fears an overwhelming victory by Mr Arthur Scargill over Mr Trevor Bell, secretary of the white collar section, who was previously the Right's only standard bearer.

Men and Matters, Page 12

Factory sit-in ends

By Our Labour Staff

POLICE re-possesed Staffa *Products' factory* at Leyton, East London, at the weekend and ended an 18-day occupation by 228 engineering workers aimed at stopping Staffa's planned switch to Plymouth over two years. It is a hydraulic motors subsidiary of Braun and Sharpe of the U.S. A possession order had been granted.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Arnold Kransdorff reports on a manpower study which suggests a variety of approaches towards regulating employee career structures

A juggling act that provides the key to matching people with jobs

MOST companies are singularly unsuccessful at managing the careers of their employees. At times of boom they are most likely to employ too many people in a narrow age band and then, when the cycle turns down, they usually stop recruitment altogether.

The results of such policies can cause serious internal problems for a company. Overdoing recruitment can cause an "age bulge" within a few years, leading to an unsatisfactory promotional blockage, while a ban on hirings only creates a vacuum when conditions improve.

These policies, according to a leading research body in the field of human resources, are typical of the attitude adopted by the majority of British companies.

There is only a handful of organisations, it adds, that have effective systems for coping with the need continually to balance employer requirements with employee expectations. Among them are the Civil Service, the Armed Forces and a sprinkling of companies in the tobacco, banking, insurance and computer sectors.

The rest, it seems, endure continuous manpower crises that often have to be handled in unsatisfactory ways.

These are the claims of the Institute of Manpower Studies, which has just published a 150-page guide* to help the average personnel manager overcome the problems of controlling a management career structure.

The document, prepared by a working party of manpower planners from around a dozen leading employing organisations, identifies a series of the most common problems that personnel managers might encounter, and suggests the most effective solutions.

The IMS notes that the rate of progress of individuals in organisations is fundamentally related to the growth in the number of opportunities. Even a small reduction in an organisation's expansion rate will have a significant effect on promotion opportunities, it says.

Equally, the IMS says that a number of surveys have shown that the patterns of employee turnover are as strongly affected by the outside labour market as they are by an organisation's internal manpower policies.

The IMS notes that difficulties are more pronounced during a period of recession. Technological advances, such as those related to the microprocessor, also affect employee wastage — and therefore company career structures.

Successful methods of control must be able to detect when the structure is not satisfactory, what the problem is, what has caused it and what to do about it.

To assist the personnel manager to do this the authors point to four factors that often result in career imbalances: the state of the business, the labour market, age distribution and the grading structure.

Trouble

Because these factors can combine to create completely different career structure imbalances an organisation must study them before drawing conclusions about the problems of its career structure.

For example, a company experiencing a period of rapid expansion would be in a completely different position from an organisation going through large-scale contraction. Equally a company's skill requirements may be changing or there might be a tight labour market.

"We have in mind the need to match people to jobs. When the expectations of staff exceed their opportunities or the needs of the company exceed the resources available, the company can expect trouble."

The IMS says that manpower planning is more successful when done in conjunction with long-term business planning that includes an assesment of future staff requirements.

"The future demand for staff will influence the career prospects of existing staff," it observes. "The task of controlling the management career structure is one of controlling the flows of people through the organisation over a period of time. The essence of control is information."

Such information should include the expected number of jobs in any career structure, employee turnover, recruitment and speed of promotion.

Having identified the circumstances that produce severe imbalances in the management career structure, the next step—according to the IMS—is to consider the consequences.

"In one way or another the consequences impinge on the organisation's effectiveness. Where expectations exceed opportunities, the major problem will be to offset the reactions of disappointed employees, such as frustration at the lack of promotion and staleness produced by staying in jobs too long. Where the needs of the organisation exceed the supply of suitable managers the consequences are often poor performance," says IMS.

According to the guide, the final step is to consider the practical actions that can be taken to restore the balance in the management career structure.

A number of cases are analysed. For example in companies where there are shortages of staff ready for promotion, the guide recommends using appraisal systems to detect people with potential. It also suggests that the organisation should ensure that new recruits fill gaps in the age distribution rather than add new "bulges."

Other possible action would be to ask key employees to stay on after retirement providing this does not block and demotivate others. The company should also resist individual demands for pay increases.

Where there may be a promotion blockage—ie, when too many staff expect promotion—the guide suggests that more job opportunities may be created by using managerial or technical staff to launch new ventures, or seconding managers to academic, public or technical institutes.

Other possible actions might be to counsel employees to reduce expectations to fit the new situation or to retrain and redeploy managers to other parts of the organisation.

Elsewhere, natural wastage could be encouraged by, for example, becoming less competitive than other companies on salaries and benefits or, when opportunities cannot be created or expectations reduced, cutting back on surplus staff through redundancies.

**The Management of Career Structures*, edited by Malcolm Bennison and Roger Morgan, Institute of Manpower Studies, Mantell Building, University of Sussex, Falmer, Brighton. Price £12 or £8 for IMS subscribers.*

"I'm afraid in this organisation there is a certain amount of over-manning at the top"

Promotion by rule of thumb

Managing a company's career structure has become progressively more difficult over the past two decades as the British economy has moved from boom to slump.

Research at the Institute of Manpower Studies, an independent research body, has shown that an individual's rate of progress is fundamentally related to the number of job opportunities. By rule of thumb, for every one per cent drop in corporate growth rate, there is a 10 per cent reduction in promotion prospects.

In the 1960s companies generally had difficulty in finding sufficient suitably-qualified candidates for management jobs.

According to the IMS, this was because of the increasingly technical demands of manufacturing processes and the use of more sophisticated management techniques. This led to a growth in service functions and created opportunities within individual organisations "at a rate that strained their ability to find managers with the required experience."

The rate of expansion of management staff began to slow and stabilise in the late 1960s and early 1970s. Around 1970, says the IMS, managers "began to speak with less confidence about their organisation's management career structures."

Oil crisis

"The oil crisis of 1973 and its aftermath turned this slackening in confidence into a deep pessimism; it became difficult to provide adequate career opportunities for managers when organisations were rapidly cutting staff to reduce costs and partially offset cash crises. Many organisations found that career management development policies which appeared to be effective and appropriate were heavily dependent on a high rate of opportunity creation.

"In the new contracting situation they were quite useless."

The IMS says that the responses of organisations to the cash crisis tended to make things worse. "Opportunities were slashed by the reduction in staff, by the non-replacement of those who retired and future problems were created by the total ban on recruitment."

The IMS notes that three factors govern opportunities — the growth or contraction in the number of jobs, wastage and the way in which vacancies are filled.

"Each time a new job is created within the career structure, unless the vacancy is filled by external recruitment, a promotion or a series of promotions will occur. By the same token, the impact of a reduction in the number of levels in the career structure will be felt throughout the whole of the structure."

How Ladbroke's appraisal system works

TO MANY companies of similar size or complexity (8,000 employees and activities ranging from betting shops and hotels to hi-fi stores and holiday camps) the Ladbroke group's devotion to training may seem to approach the level of overkill. The group has its own training centre deep in the Surrey countryside and has a near military insistence on regular attendance by those aspiring to management and by management itself—right up to the boardroom.

The preoccupation that Cyril Stein, the chairman, has with training is not simply altruistic. Underlying the courses is a basic theme of "encouraging the entrepreneurial spirit." Basic courses place a strong emphasis on commercial awareness—apparently one of the biggest hurdles is convincing people to go for profit as a prime objective rather than simply for turnover.

Later, students are led into the mystical world of people management and offered courses on business finance, objective setting, appraisal interviewing and successful communication.

It is made clear to Ladbroke staff that they are being watched, although Ladbroke would prefer to say that top management is aware of who is who. Regular career appraisals and assessment of course attendance and overall performance means that Carewell Lodge keeps details of several hundred senior employees on file. Most of these files will contain career assessment forms.

This is the one page of the six-page document to be kept secret from the person concerned that is the most fascinating, and the one that lies at the heart of Ladbroke's dedication to management flexibility. Managers are assessed on current performance and future potential.

Staff themselves know that a move from hotels to hi-fi is not out of the question and that ambition and management skills are unlikely to be overlooked even if the particular operation in which they currently work is heavy with similar, competitive, skills.

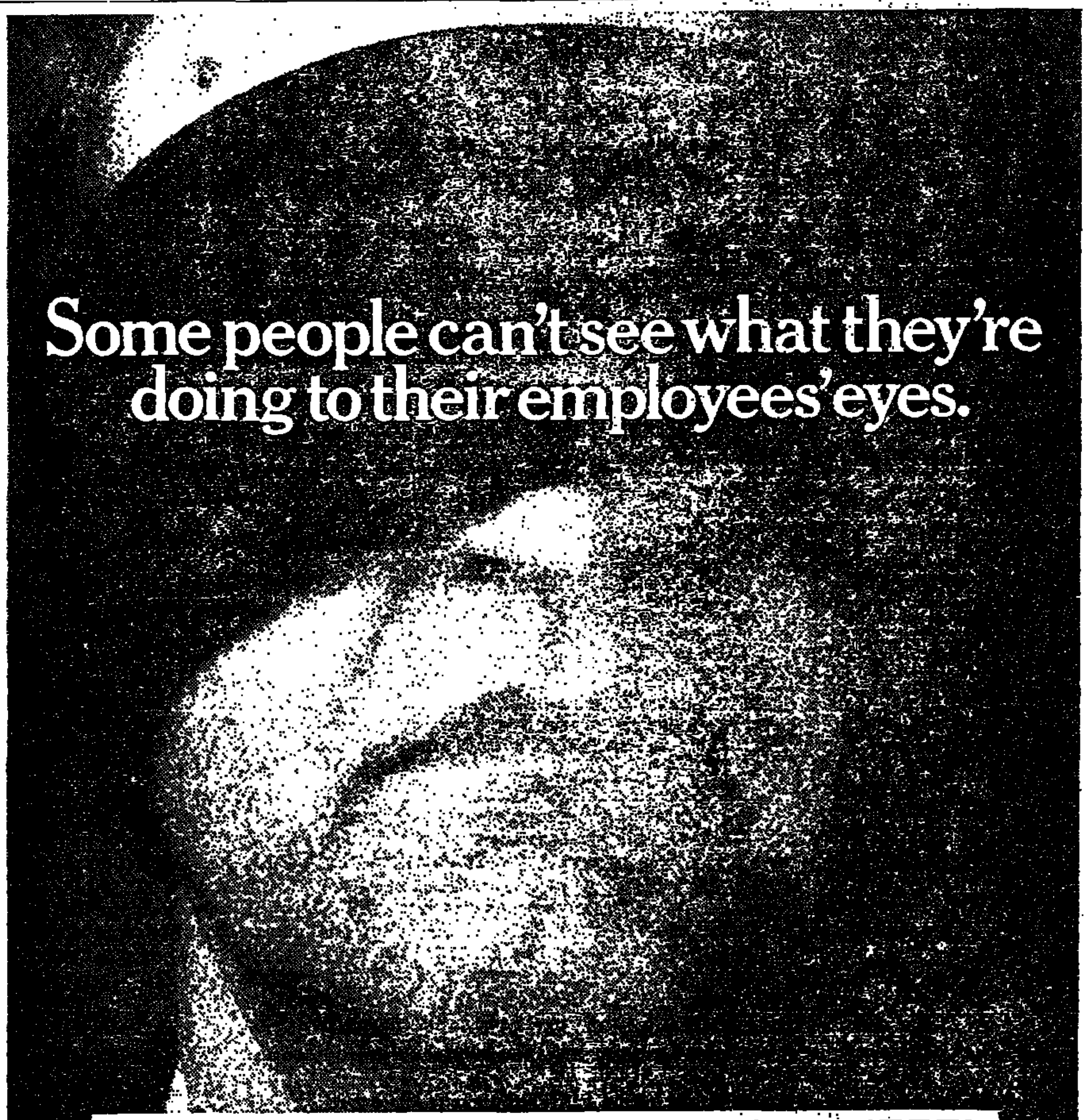
An example of this cross-group placement occurred recently when the company sold off its casinos. Although most casino staff went over to their new owners, a hard core of 15 middle and senior managers were retained and placed elsewhere in the group.

At the time the casinos were sold, after it lost its operating licences, the group suspended all recruitment at levels above middle management. Outside recruitment was resumed only after the casino managers had been suitably placed elsewhere in the group.

Divisions of Ladbroke each have their own fold-out files which, with the use of colour coded cards, indicate instantly any part of the Ladbroke empire which is heavily laden with high flyers or underperformers. Thus when a management vacancy occurs in any division it is a matter of a few minutes' work to see where suitable talent lies elsewhere and whether a particular division can bear the loss of a good person.

In terms of group personnel management the system is invaluable since central management quickly knows the personalities involved in any appointment decision, and the impact of that decision on other areas of the group's activity.

Arthur Sandles



THE ARTS

Covent Garden

Fiona Chadwick

by CLEMENT CRISP

Fiona Chadwick made her Opera House début as the dancing Isadora on Saturday afternoon—she appeared in the role for the first time during the Royal Ballet's North American tour this summer—and the gifts that have marked her as a most promising artist during the past two seasons seem fully deployed.

Her dancing is sure in outline, strong in shape, brave in its sweep of energy. Her acting is unaffected, communicative; the anguish at the children's death, Isadora's troubled manner during the Russian railway scene, prove that at the age of 21 she has a telling stage presence. And she shows off choreography with the flair and understanding that a great model will bring to couture clothes. Because she is young, with a beautiful body still innocent of the tricks and accommodations (and the canniness) that come with dance-maturity, she gives a pristine glow to Isadora's solos, and to the duets with Craig and Beregi. Her bright, rich-toned movement is most appealing for the Isadora of Act 1, a character appreciably within sight of Miss Chadwick's own age.

The Isadora of the second act presents problems. An established ballerina can play a girl; is girl is much less credibly an older woman, but Miss Chadwick manages more than well until the Russian scenes. Here she cannot physically seem the sagging, bruised and emotion-battered Duncan in her forties whom the composer Benediktov called "an immense fraud," especially when he have a direct contrast with Mary Miller's amazing impersonation, hair and emotions ruined and aflame. Yet, if the last couple of scenes still escape her, so much else is right, and more than right in the lovely force of her dancing, that Miss Chadwick can account the role very much hers.

The matinee brought an additional pruning of the text, with the excision of the opening scene when the Duncan tribe arrives amid the bustle of Liverpool Street station. The loss of this last remaining balletic moment in *Isadora*—it was the statutory *danse générale* to get the characters on the move, found in many 19th-century works—is welcome. The action now takes us to Duncan as revolutionary artist from the very beginning. Rid of the scampering crowd, we see an immediate contrast between the integrity of Isadora's opening solo in a London drawing-room and the debased Petit Ballet de Paris and the Spanish roustabouts who follow. *Isadora's* last link with the conventional past has very properly gone.

Warehouse

The Maid's Tragedy

by ROSALIND CARNE

Jacobean tragedy has a powerful fascination in our godless age. Barry Kyle's modern dress production from The Other Place, Stratford, thrusts Beaumont and Fletcher's horror story brilliantly, and shockingly, into our contemporary laps.

The court of Rhodes becomes a claque of wealthy, cosmopolitan idlers, sipping drinks to the sound of the Mediterranean and Nick Bicat's innocuous lounge bar music. Gradually, evil unfolds. The music grows menacing, the mood becomes suffocating, hot and dark. The beaming charm of Sinead Cusack's Evadne contracts to simmering mania, unleashed in frenzy at last as she mutilates and murders the King who stole her honour. Sexuality is both vilified and rampant, a glorious opportunity for this fine actress to indulge in the madonna-seeming whore.

These Latin contradictions are carefully exploited. Evadne's disappointed husband Amintor (Rob Edwards) tears off his crucifix as he becomes her unwilling partner in collusion. And she lays a cross by the dagger with ghastly deliberation, after her final sacriligious deed.

For all the starkness of the moral lesson, honour glimmers but dimly in this nightmare world, where even the blunt and honest soldier, Melantius (Tom Wilkinson) must lie and cheat in pursuit of his revenge. But if wronged honour can only be regained through the perversity of brutal murder, friendship at least offers some hope for the human race. Amintor's confession to Melantius is an appeal not just to family ties, but to the motiveless love of comradeship which also touches on the only sexuality in the play not tainted with violence. Both men give excellent performances.

There are dashes of humour. The ridiculous masque emerges as an a burlesque of our own performance art, complete with spectator participation. Raymond Westwell as Calianax, elderly father of the deserted maid, Aspatia, is both comic and pathetic, a helpless remnant of useless flesh in a society where treachery, trickery and the sword must rule.

Beaumont and Fletcher produced a mass of plays and they have been regarded as a pair of hacks. True, some of the alnguage is tortuous and derivative, with rhetoric piled on pedestrian rhetoric. But the words come alive with a good east and for sheer speed and stagecraft they are unsurpassed. Hard hearts may view this as a harmless thriller. More delicate souls may suffer a sleepless night.

Rank backing for youth musical activities

The Rank Organisation will join Commercial Union Assurance and the Times Educational Supplement as a major sponsor of the Schools Prom and the National Festival of Music for Youth in 1982.

Rank has decided to broaden substantially its sponsorship of the two events in the future, in line with its policy to assist cultural activities for young people.

The schools Prom was launched by Times Newspapers in 1975 and Commercial Union became a joint sponsor three years later.

The Prom concerts this year will take place in the Royal Albert Hall on November 23, 24 and 25.

Architecture

In the Japanese manner

by COLIN AMERY

Kisho Kurokawa is one of Japan's leading architects. He has arrived in London for an exhibition of the work of his practice, and as the designer, with Alan Irvine, of the great Japan exhibition about to open at the Royal Academy. The exhibition of his work is at the Heinz Gallery, 21, Portman Square, London, W1 until December 19. It is a small but potent show—rather like Mr Kurokawa himself. His architecture is important for two reasons. First, it is a mixture of the styles and philosophies of East and West and secondly it is undoubtedly characteristic of what has come to be called the Late-Modern style.

Modern architecture has flowered in Japan in a way that is unlike anything that has happened in Europe. There have been endless opportunities. As the Japanese economy started to boom in the 1950s the country began to build on the American scale. The buildings of that period are usually heavy concrete copies of the works of Le Corbusier by architects like Junzo Sakaura, and Kunio Maekawa. One architect who stands out as remarkable from that time is Kenzo Tange. His complex curved, tent-like buildings for the 1964 Olympic Games in Tokyo liberated modern Japanese architecture from the concrete corset.

Kurokawa grew out of the Tange tradition and formed in the 1960s a group of architects known as the Metabolists. They advocated a move away from the machine-inspired geometry of much modern architecture towards a looser more organic style. They saw the modern city as a giant megastructure with "plug-in" elements.

A good example of this approach is the Nakagin Apartment Tower in Tokyo which Kurokawa designed in 1972. It looks like a cluster of boxes clinging to a core and rises to a height of 12 storeys. Every box has a window in the end which is circular. Each of the boxes is in fact a modified shipping container which is winched into place fully equipped with bathroom stereo equipment and even a calculator for the bachelor seeking a one-room city apartment.

But for Kurokawa these towers of capsules mean far more than a clever adaptation of the container system. Each capsule for him is symbolic of JIGA—a Buddhist concept that signifies the identity of the self. They certainly offer the single cell for the soul to breathe in—but it is doubtful whether they manage to overcome their anonymity.

Another building in Tokyo offers a very different view of urban life. Kurokawa's Big Box is a rather terrifying collection of spaces devoted to leisure. There is something for everyone—swimming, bowling and golf are routine compared with the popular pastime of shooting ducks by laser gun. The entrance to this collectivist dream palace is designed to resemble an Italian piazza—it's a shame the trees are plastic.

This example seems to me to lack any of the traditional qualities that are more apparent in his bank building for the Fukuoka Bank in Osaka. This is more severely formal with a colour scheme of grey, black and white. Part of the lower floors are cut away to provide a route that is open to the whole community. Kurokawa is interested in what he calls the *engawa* — a concept meaning the spaces in between buildings and the semi-public space that he tries to include in all his work.

He is also interested in the Buddhist concern with the "Void." This is not so far removed from the Zen concept of the sound of one hand clapping. In architectural terms it can be the space between two columns, or the verandah of the Imperial Palace. In the great Japanese National Ethnographical Museum in Osaka, which Kurokawa designed towards the end of the 1970s, the central court is called the Relic of the Future—a weirdly moving place with blank facades around a void.

In all Kurokawa's work there is an extra sense of the spiritual qualities of space that makes his architecture mean a little more than just building. Metabolism has faded and the latest buildings in the exhibition demonstrate a concern with simple formal questions that is almost neo-Classical.

A finely detailed private house recently completed shows clearly a Western concern for simple form and a Japanese eye for geometry. The careful grid is as traditional as the wood frame and paper panels of early Japanese houses—and the trellis is in the same spirit as the sliding screens.

The simplicity of traditional Japanese architecture is timeless. Like the Shakers the Japanese mastered the art of refining the details to produce a sense of complete calm. Kurokawa's work shows a struggle that is going on in all the arts in Japan. Has materialism and highly disciplined industrialisation killed the sense of simple, austere elegance? It has certainly complicated architects' approaches to their buildings and lessened the involvement of the individual in his own environment. But that is not a problem that is confined to the East.

Lyric

Arms and the Man

by MICHAEL COVENEY

It is almost 20 years since London last saw the first of Shaw's "Plays Pleasant." The Shaw revival which started up a few years later was more concerned with the playwright as pamphleteer and social critic than with this apparently innocuous "anti-romantic comedy" (as Shaw labelled it) that debunks military heroism as practised in the final stages of the Serbo-Bulgarian war.

The piece has remained popular on school syllabuses presumably because it is short, well-made and, for all the playwright's satirical intentions, unthreatening. Indeed, after an evening in the company of Jonathan Lynn's lovingly unspectacular production, the only remotely contemporary dramatic parallel I can come up with is Peter Ustinov's Ruritania.

The latest Ustinov play, *Overheard*, introduced a sexually hyper-active Russian dissident to the fragile gazebo of a British Embassy somewhere on selecting a line to bend as he saunters across the stage or witthe earthquake belt. Both wife and daughter succumbed to his charms and hairy chest. Shaw being Shaw, sex never raises its head when a battle-weary Swiss auxiliary in the Serbian army, Bluntschli, stumbles on the run through Raina Petkoff's balcony and into her bedroom. In collusion with her mother, Raina harbours the fugitive and helps him to escape in her father's coat.

With the war over, Captain Petkoff returns home and Bluntschli calls by to pay his respects and deposit the coat. By this time, the memory of the chocolate-cream soldier, with his casual confessions of hunger, cowardice and exhaustion, has replaced Sergius in Raina's affections. Sergius, a Bulgarian major, is the upright professional specimen who led a foolhardy cavalry charge not knowing that Bluntschli and his comrades were fresh out of ammunition. The play cunningly sets up a comparison of Bluntschli with Sergius, although, due to Shaw's unambiguous sentiments on the matter, they never emerge as true adversaries.

On this occasion, that is no fault of the playing. Richard Briers has recently demonstrated his widening range in Ibsen, although Bluntschli is in some respects a return to type, everything he does is executed with style, precision and hollow high spirits. Whether dropping off to sleep on Raina's bed or stealthily removing the portrait from Petkoff's coat and slamming it under a silver tray, nessing Sergius go up in smoke with a slyly vindictive grin, the performaince is full of beautifully thought-out physical nuance.

Shaw considered Sergius the more difficult part and, as it gets more difficult, so Peter Egan goes from strength to strength. This emblazoned buffoon, standing foolishly by his motto of never apologise, never withdraw, develops a comic twitch in the third act that is just a funny as the rigid posturing of the first two. By the end he is justly isolated from the romantic *dénouement* and lucky to escape with the devotion of Anna Nygh's spirited maidservant. Alice Krige is something like a young Ingrid Bergman as the vapid Raina and there is top class support from Richard Pearson and Pat Heywood as the Petkoffs. This should be just the thing for anyone, in years or spirit, over the age of 55.

Oldham Coliseum

Cracks

by MICHAEL COVENEY

An exotic rock star is shot dead in San Francisco. The telephone wires are cut as party guests huddle together over Rick's body. The killer lurks outside in the garden. Or does he? Everyone of those present had some reason or other to hate Rick. His transvestite, tattooed bodyguard, for instance, looks extremely sullen. Catholic monestery. And what about the blonde groupie, or the pornographic movie-maker? Not to mention the frustrated Bette Midler clone, or the Jewish homosexual on the verge of entering a

Agatha Christie on an acid trip would be one way of summing up the tone of this extremely cheap but enjoyable thriller. The author is Martin Sherman, who had a big London success with *Bent*. This may be bottom drawer stuff, dating from the mid-1970s, but it has the unmistakable hallmark of a trash classic. Only two corpses by the interval, but the second half contains a succession of ludicrous murders until the stage is as crowded with stiffs as the last scene of *Hamlet*. Nobody remembers to shut the windows, of course, so any time someone turns his back on the dark blue skyline, you can start putting your hands on your ears.

One of the girls is possessed by her analyst, and this schizophrenic presentation has a totally predictable but very funny pay-off. The only irrelevant action is the offstage setting in plaster of the long-haired freak's private parts. As the plot thickens, so does the plaster, and we are soon treated to the sight of the bodyguard helpfully chasing the freak around the stage with a meat axe.

I always enjoy bad thrillers, and they don't come any worse than this. I am not sure that Dion McHugh's production really achieves the right blend of extravagant camp and louche mannerism, but it certainly has never a dull moment. Robert Jones's design is remarkably handsome for so modest and unpretentious a theatre as the Coliseum, and a good cast includes Cliff Howells as the defecting Jew, Maggie Ollerenshaw as the spangled, ageing starlet, Susan Brown as the split personality, and Andrew Hay as the tattooed lady.

MU's £30,000 to aid instrument buyers

A £30,000 loan from the *Musicians' Union to help young* professional musicians buy their instruments was announced on publication of the first annual report of the loan fund for musical instruments.

The fund was set up in March 1980 by the Arts Council, the Musicians' Union, the Royal Society of Arts and the Worshipful Company of Musicians to help young professionals purchase instruments.

An appeal for £500,000 was launched and so far £130,000 has been raised which has enabled loans to be offered at low interest rates to 27 musicians.

Theatre Upstairs

The Catch

by ROSALIND CARNE

The little known world of Cornish fishermen is locingly evoked in this new play by Nick Darke. Naturalism verges on living social history as we hear of the price of the Common Market—in cod, haddock, and lobster. Tourism has transformed the village, and the young are moving out. Thelma (Frances Low), pregnant by an unknown man, is off to Dorset to stay with an aunt. As the fog comes down, her father, Swiddles (Tom Watson) skulks at home, eyeing his contraband goods. Bone china, medical instruments, electrical appliances, useless gonks—all are harmless enough and provide a meagre supplement to a shrinking income.

The leap to handling cocaine for the big boys is no surprise, thanks to a tell-tale slug on the poster. A third character, Leadwell (Mike Grady) sets up the deal, and proceeds to double-cross his partner; quite how he *does so is never made clear*. The ending is a disappointment, both in spirit and fact, the latter being all too easy to surmise from the scatter of props.

If I pick holes here, it is principally from a sense of being cheated, after so intriguing and original a start. Nick Darke's dialogue is absorbing and creative. He etches out a background with unstudied ease, as when Leadwell refers to the cruel desperation of their fishermen ancestors who lured ships onto the rocks, either to cut competition or grab booty. Swiddles has a proud response. That was "dog eats dog"; cocaine dealing is "dog eats shit." The old man's moral crisis is the human core of the drama, but it is all too easily resolved.

Hovering behind these transactions is Gogot (sounds like Goggle). The two men and Thelma all wait for him for different reasons, and the play takes on an unnaturalist dimension.

Director Roger Michell has drawn out three fine performances. Tom Watson's conscience-stricken Swiddles carries a slow deliberation in sharp contrast to the restless Leadwell, flying through the parlour in his cowboy shirt with a haddock on his arm. The details of their tired and difficult lives are painfully clear, both around and beyond the ramshackle tea-chests and lobster pots of Chris Townsend's appropriately bleak design.

Elizabeth Hall

Kennedy & Thibaudet

by DOMINIC GILL

The two young soloists featured at the concert given on Friday night by the Academy of London (itself a band of young professionals) were the violinist Nigel Kennedy and the pianist Jean-Yves Thibaudet.

Since his early childhood Kennedy has had to learn to cope as well as he can with the irksome condition of being considered an infant prodigy—a condition not nearly so desirable, nor so beneficial, as many people assume. As often as not it is, in fact, a serious handicap, and as difficult to live up to as to live down.

Kennedy has the second problem: he has been an infant prodigy for so long that he evidently finds it extremely difficult to stop. He is 25 this year — yet he still plays the violin like a good little boy. His account of Mozart's G major violin concerto on Friday was the quintessence of the "well-learned" performance, a perfect pupil's product. It was generally honest and accurate and scrupulously prepared — and yet it was as bland and faceless as an empty canvas. The tone-colour was robust but unsubtle, the phrasing strong but generally unnuanced. There was hardly a measure in it that was proposed as an original statement, or that bore witness to an original voice.

Thibaudet's account of Mozart's A major concerto K414 was a little, but not much, more impressive. An earnest and sensitive attempt to make the music speak was doomed from the start by a hard, wooden tone, and by an apparent inability to play any sequence of notes together *legato*. There was also a (perhaps chiefly nervous) tendency to bang—but Thibaudet gave the illusion of doing it even in *pianissimo*. The three movements flickered past in fits and starts, tight as a piano wire, and on the last note of the finale simply vanished into thin air.

I do not suppose that either young soloist found the conducting of Richard Stam (who is also the Academy's founder and musical director) a notable aid to concentration. Mr Stamp's gestures were disconcerting enough even from a dozen rows back in the stalls—bearing down on *allegro* Mozart as if he were fighting off a swarm of wasps, and on *andante* Mozart, with great broad struggling sweeps, as if he were drowning in treacle.

Exhibition of Japanese books of the Edo period

An exhibition of Japanese books of the Edo period (1600-1868) opens in the exhibition galleries of the British Library, Great Russell Street, London WC1 on October 26.

Novels, stories, poetry, essays and guide books, illustrated with woodcut pictures, will be on display and show the wide range of popular literature available at that time to the ordinary man.

The exhibition forms part of a series of related events on aspects of Japanese culture being held throughout Britain, which includes a major exhibition of Japanese art of the Edo period *The Great Japan Exhibition* held a the Royal Academy.

The exhibition, with its emphasis on reading for pleasure, shows the kind of books that the man in the street enjoyed and thus most of the items on display are works of fiction, popular poetry, travel guides and the like.

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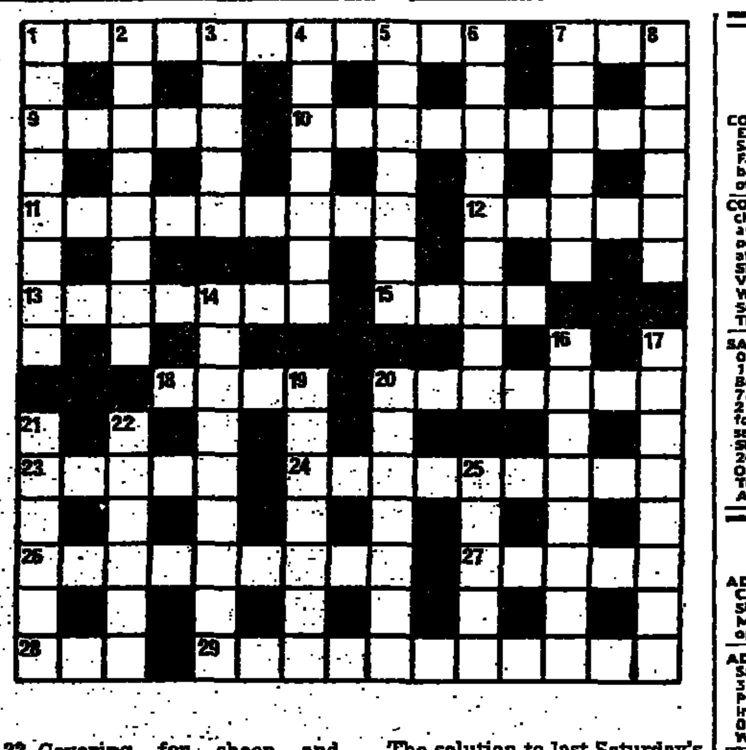

ACROSS

1 Cheap form of transport—£25 and part back (4,3,4)
7 & 28 Fastener that needs a hole, but not in reverse (6)
9 It's a bird. Beat it! (5)
10 Not on the mains and not off, in a quiet period (9)
11 "Iced Louis" could be very tasty (9)
12 Fuss with sailors in deck (5)
13 Manufactured, but it's approximate in weight (7)
15 Gave a false impression of German song (4)
18 John Peel's was grey (4)
20 Dismiss the teller (7)
23 Lyric about a concert-hall (5)
24 Account of a vicar in a race (9)
26 A surprise missile (9)
27 Ring that may be square (5)
28 See 7 Across
29 The final mannequin to arive in the most recent car (6,5)

DOWN

1 Lots of wine to drink? Shut up! (4, 4)
2 Card game for a 25 Franc gold coin (8)
3 Grotesque insect I caught (5)
4 Withdraw one who refuses a conventional life in society (4-3)
5 Show-jumpers don't like this declination (7)
6 Female cleric is delayed in crowd. . . (9)
7 . . . and senior male cleric was formerly the archer on board (6)
8 Occupy article in pavilion (6)
14 Area of land the Spanish weed (9)
16 The share of a sum or a mathematical element (8)
17 Mark made on fabric in Scotland consisting of club letters (4-4)
19 Touching without intersecting the striking-pin of a clavichord (7)
20 A song to you and me was money to Charles I (7)
21 Fight with doctor in jacket (6)
22 Covering for sheep and people (6)
25 Strike with fear in the manner of the Marines (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

For Share Index and Business News Summary, Telephone 246 8026 (number, preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester)

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: 8954871. Telegrams: Finantimo, London. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd., Frankfurter Allee 68-72, 6000 Frankfurt-am-Main 1, West Germany. Telex: 416193.

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Lisbon: Praca de Alegria 58-1D, Lisboa 2. Telex: 12533. Tel: 362 508.

Madrid: Espronceda 32, Madrid 3. Tel: 441 6772.

Paris: Editorial and Advertising Centre d'Affaires Le Louvre, 168 Rue de Rivoli, 75044, Paris Cedex 01. Telex: 220044. Tel: 297 2000.

Rio de Janeiro: Rio Branco 45, Salas 2611-2612, Centro DEP 20090, Rio de Janeiro RJ Brazil.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday October 19 1981

The objectives of Cancun

MOST SUMMIT meetings have a theatrical quality, but the North-South summit at Cancun in Mexico this week has a *peculiarly artificial flavour*. The 22 heads of state attending were originally supposed to consider an emergency programme to solve a world crisis. Yet for many of them, neither the crisis nor the appropriateness of the *remedy* appear self-evident. Both derive from the report of the Brandt Commission which, in turn, distilled them out of a diffuse though increasingly polarised debate about the development of the poorer economies in a post-colonial world.

Prescription

The economic interdependence of the modern world and the unsatisfactory state of many of its individual economies since the readjustment of the price of oil are both self-evident.

These facts provide an undisputed starting point for the discussions at Cancun, whether or not they constitute a *crisis*.

It is over the economic prescription that differences emerge. They give Cancun, in some people's eyes, the status of a watershed at which the future principles of international economic policy will be established. Put crudely, the *recommendation of the South* entails a substantial redistribution of Northern wealth through "resource transfer" and global *dirigisme* by international institutions such as UN agencies, the IMF and the World Bank.

The North, broadly speaking, favours economic self-discipline at home, less redistribution between countries, more emphasis on free market forces and on free enterprise.

There is little appeal either in the vague rhetoric of the New International Economic Order (NIEO) or in the assertions of some hard-nosed Western economists that developing countries should be left to "grope and cope." It is perfectly true that a country's economic development depends primarily on its own efforts and policies; but proponents of the NIEO put far too much emphasis on external as opposed to internal factors and fail to draw the right lessons from the experience of the most successful developing countries — those which, by adapting their internal policies to take advantage of the world market, not to insulate themselves from it, have achieved enviable rates of growth.

Nevertheless, in many cases more than self-help is required. Poor countries need financial and technical assistance to make their own way in a free market world economy. This principle must be applied at Cancun under the four headings envisaged in the Brandt emergency programme.

Food, being the least contentious, is the area in which Cancun should produce the most practical progress. There must be an *increase* in food aid for the hungriest countries, an internationally co-ordinated grain reserve, and a new emphasis on food production in developing countries by means of appropriate domestic incentives, aid *for* fertilisers and agricultural research programmes, and finance for agricultural projects.

Energy is the subject on which the Brandt report was at its *most dirigiste* with its calls for a "global energy strategy." Here, as in other areas, the price mechanism must be allowed to give the right signals to developing and developed countries alike. But aid and finance, in particular World Bank finance for enery projects, are justified as a means of helping countries with transitional problems arising from the increased cost of energy.

Financial flows to the developing world do little long-term good unless accompanied by *advice*, skills and entrepreneurial involvement. This is just as true of private sector bank loans as it is of public sector aid.

The stigma over direct investment in the developing world *by* multi-national companies needs to be lifted. The operations of the IMF and the World Bank, and their access to Organisation of Petroleum Exporting Countries funds, need to be encouraged because these institutions accompany funds with a degree of economic involvement which is usually more objective and appropriate than that which accompanies "tied" bilateral aid: heavily subsidised sales of plant and equipment to preserve jobs in the supplying country is not the best way of helping the South.

Actions

Trade is the area where the industrialised countries most need to suit their own actions to their words. It is hypocrisy to advocate free market principles to the developing countries so long as developed countries raise barriers against the imports of agricultural products and semi-manufactured goods. The reluctance to allow markets to work is one of the chief failings of the NIEO proposals. But the industrial countries must apply the same principle to their own economies.

At a time when protectionism and economic nationalism are so visible, it is important that a positive and hopeful atmosphere pervades the Cancun summit. If the heads of such a diverse range of countries can produce clear statements of intent in these four areas, the summit will have proved itself worthwhile.

BL — a matter of persuasion

IT IS not difficult to understand the feelings of resentment and frustration which led the employees of BL Cars to vote so decisively against the company's 3.8 per cent wage offer last Friday.

Not so long ago the men of Longbridge and Cowley were at the top of the Midlands pay league. Now they have drifted *towards the bottom, their bar*gaining power in the face of a determined management appears to have evaporated and their jobs are seen to depend on a not very benevolent government. Many of them may think that, in the short term at least, they have not much to lose by striking for higher wages.

Expenditure

In one sense, the latest crisis at *BL Cars reflects the* well-known difficulty of managing labour relations in a state-owned enterprise. In the private sector wage settlements of 5 per cent or less are becoming by no means unusual; some hard pressed firms have been able to negotiate wage freezes or even wage cuts, because their employees know that without cost reductions the business will not survive. In the public sector commercial realities are less compelling: if a Tory Government agreed to put nearly £1bn into BL in 1980, why should it not be induced to provide some more? With the enormous expenditure already committed to Long*bridge and Cowley* — the successful Metro, the Triumph Acclaim and the new mid-range car — the men in those two plants may feel that the threat of liquidation is so much bluff.

Yet BL Cars will become viable only if the pressure to get costs down and productivity up is maintained. Sir Michael Edwardes, the BL chairman, is sometimes accused of behaving autocratically and of being too ready to go over the head of the trade unions. Given the drastic cost cutting measures that were necessary, it is hard to see how any union leader, at national or local level, could have identified himself with Sir *Michael's strategy. Reluctant* acquiesence was all he could reasonably hope for and that, up to now, is what he has got.

Between now and the end of the month, when the strike is due to take effect, the company has to renew its efforts to explain to the employees why another low wage increase is unavoidable. Above all they have to be persuaded that a further cut in living standards is a sacrifice worth making and that their contribution towards rebuilding BL Cars will be ultimately rewarded. In the short term there is probably little room for manoeuvre on basic wages, but the mechanics of the factory-based bonus system could be a fruitful subject for negotiations.

Consistency

Firmness and consistency on the part of BL's management have helped to bring the company to a point where its commercial survival (not necessarily in its present form) is no longer a forlorn hope but a realistic possibility. Instilling new disciplines was bound to be a painful, even brutal process and to that extent BL Cars is a microcosm of the British economy. But there is a limit to what can be achieved by threats. At some point reluctant acquiescence has to give way to mutual understanding and active co-operation; that, as Friday's vote showed, is still some way off.

U.S. DEFENCE

Mr Reagan's $180bn package

By Bridget Bloom

THE YOUNG lieutenant at Strategic Air Command in Omaha, Nebraska, relentlessly rattled out the statistics like bullets from a machine gun. The Soviet, he told his audience from Europe, were *continuing to modernise their* forces with an unending flow of new weapons systems, ships', aircraft, tanks and missiles.

The young officer's list of Soviet military achievements grew ever longer, fostering in his 45 minute *briefing* the impression that the U.S. was far behind. A Dutch colleague quietly asked him how many warheads—as distinct from missiles—were in the U.S. nuclear arsenal. "9,200" was *the reply. And the Soviets?* "7,000."

That incident, illustrating at best a simplistic view of the threat to the U.S. from the Soviet Union, occurred just a fortnight ago on the morning *that* President Ronald Reagan announced the biggest "modernisation" programme for U.S. strategic nuclear forces ever proposed by an American administration.

More than $180bn is to be *spent over the next five years* on new land based nuclear missiles, new bombers, new submarines and sea-launched missiles, as well as on communications to control the nuclear arsenal and research to develop new weapons, including *space-based* systems.

Part of America's armoury: the B1 bomber (left), the present Trident C4 and (right) air-launched Cruise missiles

Within hours the debate had begun

This huge programme, President Reagan told his nationwide television audience, would constitute "less than 15 per cent of our defence expenditure." It would fulfil his "pledge to halt the decline in America's military strength."

Within hours the debate among strategic pundits was raging on key details of the new programme. But President Reagan's broad policy decision to replenish the American nuclear armoury in this dramatic way has widespread support.

After travelling across the country as one of a group of Europeans invited by the State Department to meet politicians, academics, military men and citizens, I have little doubt that there is a consensus within the U.S. that its defences have weakened relative to the Soviet Union; that such weakness opens the U.S. to a real danger of Soviet aggression; and that U.S. defences, nuclear and conventional, must therefore be strengthened. For the most part, President Reagan's tough and warlike rhetoric is accepted unquestioningly and without qualification.

Unpalatable though this philosophy—so redolent of the Cold War of the 1950s—may be in Europe (and another conclusion of a month's visit is that for Reagan supporters "Europe" is a little known area and an insignificant calculation in the East-West balance) there are two key points which need to *be understood about President* Reagan's $180bn strategic weapons package.

The first is that the programme marks few, if any, fundamental departures from the past. The need to match the rhetoric with action has ensured a big programme, though in total probably not much more than a comprehensive Carter progamme could have cost. But underneath the rhetoric the *programme* is the product of political compromise and of the interplay of a divided bureaucracy, powerful service chiefs and service establishments and to a lesser extent the defence ministries.

Because it is the result of compromise, it is not set in concrete. In particular, it could succumb to budget constraints and met with opposition on that or other grounds as it comes before Congress for approval.

The second, however, is that the administration still has no *coherent view of where this* new strategic programme—and the huge effort to re-arm in non-nuclear fields—fits into overall U.S. policy on East-West (or for that matter North-South) relations. For example, it is *far from clear whether the* programme is being undertaken simply to contain the Soviet Union or at least partly as a bargaining counter in arms control negotiations.

The programme itself is essentially a reaffirmation of nuclear doctrine and strategy of previous administrations, while the detailed choices of weapons systems flow directly from decisions made in the last decade or so. The doctrine of "mutually assured destruction" (MAD) was long ago abandoned, for it was developed in the days when—feeling secure in its vast superiority in nuclear warheads—the U.S. threatened massive retaliation if the Russians were to launch a nuclear attack of any sort.

Today's doctrine of deterrence relies, as it has for a decade, on the concept of flexible response: given that there is near-parity or equivalence in nuclear weapons, the U.S. threatens to match any strike by the Soviet Union at what*ever level it is made, from the* battlefield to the mammoth intercontinental missile.

There are some experts who believe that President Reagan's most publicised new decision to deploy the MX (for missile experimental) represents a break with the past, in that the MX is said to be a "first strike" weapon. These experts insist that the Reagan decision to *base* the missile in "super-hardened" silos amid a myriad of empty shelters, rather than *shift it as President Carter sug*gested, means that it must be used first if it is to avoid destruction by increasingly accurate Soviet land-based missiles.

Backing up this view is the belief that a "window of vulnerability" is open or is about to open onto the U.S.'s existing Titan and Minuteman intercontinental missiles. These ICBMs, so the argument goes, are increasingly vulnerable to the

Tomorrow Nato's Nuclear Planning Group, attended by 13 of the Defence Ministers in the 15 member alliance, convenes in Gleneagles, in Scotland. High on the agenda will be a briefing from Mr Caspar Weinberger, U.S. Defence Secretary, on the Reagan administration's new defence plans.

rapidly improving accuracy of Soviet missiles and so the only way to close the window was to make the MX mobile.

Until *recently* this also seemed to be the view of Defence Secretary Caspar Weinberger and his officials who now have at least a smattering of egg on their faces. Not surprisingly critics charged either that the new administration does not appreciate the problem or, more charitably, that they judge it overrated.

To some observers the situation is reminiscent of the famous missile gap of the 1960s which turned out not to exist.

Further studies are to be made of "basing modes" for *the MX in the next few years,* leaving open the option that they could still be made mobile. But it is difficult to avoid the conclusion that the decision to build any MX's at all is primarily political. Given the Republican rhetoric and the particularly high profile of the MX in the whole strategic debate, Mr Reagan could not have abandoned the new missile altogether. But it may well turn out that he has chosen to deploy the smallest number *possible*.

In any case the MX decision has rather stolen the limelight from plans for modenising the other two legs of the American strategic triad—which account for 70 per cent of the country's nuclear arsenal.

In all the discussion of vulnerability of American ICBM's the critical point is rarely made that while the U.S. has only 30 per cent of its strategic nuclear weapons based on land, the USSR must launch 75 per cent of its missiles from Soviet territory. The American sea and air launched weapons thus leave the U.S. with an awesome answer to any conceivable Soviet first strike.

The Reagan plan proposes to update both the sea and the air legs of the triad—most controversially by the decision to build 100 B1 bombers (which were cancelled by President Carter) and most devastatingly by speeding up development of the highly accurate long-range D5 or Trident 2 submarine-*launched nuclear missile* (which Britain may well find itself having to buy for its Trident submarines).

The package also includes a controversial decision to "deploy several hundred nuclear armed sea-launched cruise missiles on general purpose submarines beginning in 1984"—controversial not only because, in arms control agreements, submarine-borne missiles are difficult to verify but also because the decision could point the way to an alternative "basing mode" for *the* very contentious. *Cruise* missiles which Nato proposes to base in five European countries from the end of 1983.

The other key element in the package—the decision to improve communication, command and control of the whole strategic system — what is known as C3 in the jargon— has got almost universal approbation. Many experts believe that the C3 systems (of both sides) have long been highly *vulnerable to attack, so vulner*able, according to one specialist, that in the U.S. the military and politicians alike have been afraid to talk about it.

But if that in outline, is the package, what chance is there that it will all go through? Interestingly, as strong a note of initial caution was being sounded from the defence industries, as from anywhere else last week. Thousands of companies, from local manufac*turers of bearings and bolts to* the aerospace giants like Rockwell International, main contractor for the B1, as well as Boeing, General Electric, Northrop and Lockheed, all stand to benefit. Yet companies are aware that the main effect of the programmes will not be felt till the mid-1980s, while business in general is well aware that arms spending could be slowed over the next few years as President Reagan's expressed desire to see a balanced budget by 1984 bumps up against what look like being increasingly unpopular cuts elsewhere in the federal budget.

An opinion poll in Time maga*zine a fortnight ago may be a* straw in the wind or a portent of more serious things to come. Some 76 per cent of those questioned felt that they would be affected by at least one of the proposed reductions in federal spending for the coming year, while 56 per cent believed that further military cuts could be made without jeopardising national security. Any such developing mood would quickly make itself felt in Congress, which must approve the package line by line.

Many observers believe that the principal problem for arms control now is whether the Reagan administration is politically committed to any sort of arms limitation, let alone real arms reduction talks with the Soviet Union until its rearmament programme is well and truly under way. But Mr Paul Warnke, the respected negotiator of the now shelved Salt 2 Treaty, said in Washington last week that he was broadly "relieved" by the package: none of it went outside the limitations imposed by Salt 2; there was nothing in it, he said, that the Russians "had to get especially alarmed about."

However, Mr Warnke is critical of the decision to base Cruise missiles on submarines (as well as that to base Cruise and Pershing missiles in Europe) as being unnecessarily provocative to the USSR. He and others are worried also *that the real arms control* measure still extant—the 1972 anti-ballistic missile (ABM) treaty which put tough limits on anti-missile defences—could be in jeopardy as it comes up for review next year.

No sign of a policy framework

There is also the view—expressed in earlier reports of the official Arms Control and Disarmament Agency, that the new D5 Trident missile, with its planned "hard target kill capability" could be seen as a destabilising "first strike" weapon.

The strategic arms package is only two weeks *old*; *it will be* months before Congress finishes with it, months during which debate on its perceived merits or demerits will no doubt fill the airwaves and the newspapers.

But awesome and vital though the subject is, an air of unreality pervades the whole debate about, and preoccupation with, nuclear strategy and nuclear might.

Whatever the Soviet Union may think of this enormous expenditure to come, there is no sign that the Reagan Administration has worked out a policy framework into which its nuclear strategy fits, let alone a policy for coping with the much more complex, difficult and dangerous problems posed to international stability in areas like the Gulf where nuclear might is presumably irrelevant. The last few days of rapid and confusing statements from Washington have underlined this.

Men & Matters

Late shift against Scargill

The re-appearance of *Ray Chad*burn as a candidate for the presidency of the National Union of Mineworkers promises to ensure the contest—the most important union election since Jack Jones and Hugh Scanlon retired—*is closely fought*.

Chadburn has been pushed reluctantly into the lists by moderates as the best hope of stopping militant Yorkshire N.U.M. president Arthur Scargil who was beginning to look *unbeatable*.

The 48-year-old Nottinghamshire coalfield leader had declared a year ago that he would be the right-wing candidate. But in March this year he dismayed his supporters by *standing down and leaving the* field to Trevor Bell, secretary of the union's white-collar section.

Such indecision suggests that Chadburn has no great appetite for one of the most influential jobs in the trade union movement and the NUM Left habitually caricatures him as more interested in gardening than union politics.

Married with two children, he has little experience at the top and no reputation outside his union. His strength as a candidate—apart from commanding the second-largest coalfield—is that he is a real miner. He became a full-time official only in 1977 after 26 years as an electrician at the coal-face.

*Pressure on Chadburn to re*consider his withdrawal from the contest started after this year's TUC general council elections in Blackpool when he polled a million votes more than Scargill in taking a seat alongside *his* rival on the union's supreme body.

It was the NUM's retiring president Joe Gormley who did most to persuade the hesitant challenger that he could ensure a moderate succession. Because the election by secret ballot at the pithead in the first week of December is by transferable vote, there is no danger of splitting the moderate votes. "You can't split nowt of nowt," Gormley told him. Senior Labour politicians also urged Chadburn into the fray.

Pausing a moment this weekend as he planted a thousand daffodils for the spring, Chadburn told me: "I will be taking the same line as Joe Gormley. Our objectives are to improve the conditions of employment and wages of the members whether by a shorter working week or salaried status. The question is how we attain them.

"We cannot seek a confronta*tion every year on every issue*. We cannot achieve our objectives overnight. We cannot bring members out on strike: that's damaging for them and the industry."

Not surprisingly, Trevor Bell *is a bit unhappy at being up*staged at the 11th hour—and even later by the entry of Bernard Donaghy as a fourth candidate. As for Scargill, he has been campaigning for over a year now and reckons to have swung enough votes to have victory within his grasp.

Indeed he may. But the odds against him are greater now than they were a week ago.

Back to front

That sometimes mordant political weekly the New Statesman has taken a bite at a hand that feeds it in its latest edition—without so far losing a tooth or a morsel.

In an investigative report, the NS levels some severe front-page criticism at the Bank of Credit and Commerce International and its Pakistan-*born, director* Agha Hassan Abedi while a full-page advertisement at the back of the paper is occupied by the Third World Quarterly, an academic journal established by the self-same Abedi.

Similar ads have been appearing over the last couple of months. Advertising manager Michael Roberts admits that apart from this source of revenue, the weekly has "not been doing terribly well" for display ads recently.

But both sides tell me the critical news story will not lead to the withdrawal of future ads. Homayoun Gauhar of the associated Third World Foundation says that another is already booked for next week.

That is when the NS, in the second part of its investigation, says it will be looking at the public relations of the Third World Foundation.

Sphinx smiles

Sadat's assassination has changed some things in Egypt — including Cairo's Tahrir Square, Menoufiya University, the Cairo-Ismailia road, and an island in the Suez Canal which have all been renamed in his memory.

But the events of the past couple of weeks have not altered the Egyptians' slightly macabre sense of humour. Political jokes are flourishing as ever.

One of the least cruel about Sadat himself commemorates his penchant for taking a break from politics in luxurious havens up and down the country. His first words on reaching heaven, it is said, were: "Fein al-istirah?"—"Is this a rest-house?"

It is to Sadat's successor Hosni Mubarak that the café wits have now turned their attention, however. One story going the rounds is about a peasant who, berated by his wife for voting "no" in the presidential referendum, runs back to the polling station to ask the duty policeman to *help* him change his vote to "yes." "Never mind," says the policeman, "we've made the correction for you already. Just save us the trouble next time."

Another tale has Mubarak taking his wife to the cinema where a newsreel shows him delivering his inauguration speech. At the end, everyone applauds except Mubarak. His wife nudges him anxiously and whispers: "Clap, clap, Hosni, or they'll arrest the whole audience."

Head start

Communications with Andorra have been at best uncertain in recent months, but I am happy to say that a despatch has finally succeeded in reaching me by mule train across the snow-bound *Pyrenees*: It concerns a student, much mocked by his colleagues for his frequent fits of gothic melancholy and numerous bungled suicide attempts. Most recently, he was spotted atop a rocky outcrop, swathed in black and with a revolver pressed against his head. "Not again," catcalled the onlookers, lapsing into ill-concealed mirth. "Don't laugh," replied the student, "you're next."

Observer

FINANCIAL TIMES SURVEY
Monday October 19 1981

West Germany

The West German success story has been under challenge this year as never before. Foreign pressures, economic and political, have increased the strains on Chancellor Helmut Schmidt's coalition, and brought it close to a split. But surging exports have warded off a serious domestic recession — and the economic outlook for 1982 is brighter.

Severe strain in Bonn

By Jonathan Carr
Bonn Correspondent

CHANCELLOR HELMUT SCHMIDT'S heart operation last week has cast a new shadow over the West German coalition Government, re-elected in October, 1980, for another four-year term.

Over the last year the Social Democrat (SPD)—Liberal Free Democrat (FDP) alliance has been under greater strain than at almost any time since its formation in 1969. Herr Schmidt, now aged 62 and with seven tough years behind him as head of Government, has been the lynchpin in an increasingly uneasy partnership. Despite all the signs that Herr Schmidt came through the operation well, there must now be a big question mark over his future, and hence that of his Government.

Why has the coalition been in such poor shape? After all, the voters gave it an increased parliamentary majority in the general election, and the Christian Democrats (CDU) seemed resigned to a further spell on the opposition benches until 1984.

The essential point is that the external pressures on the country have increased sharply, and this has shaken a Government alliance which involves a tricky political balancing act even at the best of times.

Of course Bonn has had to face East-West crises before, and economic setback, currency fluctuation, and so on. But this year *the problems have surfaced together, and they have* coincided with (and been partly intensified by) leadership changes in two key allied countries, the U.S. and France.

Most Western European states would argue that they are facing similar problems—and are economically worse off than the Germans. But the Federal Republic is peculiarly vulnerable in at least four ways. It is one part of a divided nation straddling the East-West border, with a special interest in detente and a key front-line role in Nato. It is a major trading nation with almost no raw materials or energy supplies of its own.

It must (rather unwillingly) act as custodian of the world's second reserve currency after the U.S. dollar. Finally its history still imposes restrictions on its policy makers, even more than three decades after World War II.

Only about 18 months ago it seemed that medium-sized European countries could restore the dialogue between the super-powers, which had dried up after the Soviet invasion of Afghanistan. There was Poland's leader, Mr Edward Gierek, arranging a meeting in Warsaw between the Soviet and French Presidents, Mr Leonid Brezhnev and M Valery Giscard d'Estaing. And there was Chancellor Schmidt in Moscow, extracting a small but genuine concession from the Russians which seemed to make superpower negotiations more likely on the problem of intermediate range nuclear missiles.

COMPARATIVE STATISTICS 1980

	Area '000 sq km	Population millions	Hourly earnings* DM	Inflation rate† %	GNP DMbn	GNP Share as % of industrialised countries	Exports DMbn	Exports as % of GNP	Imports DMbn	Imports as % of GNP	Monetary Reserves DMbn†
W. Germany	249	61	22.40	+ 5.5	1,502	11.0	350	23.3	341	22.7	98.3
France	547	54	17.30	+13.6	1,180	8.6	209	17.7	244	20.7	60.8
Britain	244	56	13.0	+18	887	6.5	209	23.6	218	24.6	42.1
U.S.	9,363	222	18.20	+13.5	4,638	33.9	401	8.6	459	9.9	53.7
Japan	372	117	12.20	+ 8.0	1,900	13.9	231	12.2	254	13.4	50.4

* Wages plus supplementary costs. † December 1980.
£=DM 4.10 $=DM 2.19 (13/10/81).
Source: Dresdner Bank.

Herr Schmidt badly needed an early start to missile talks. Only with difficulty had he won approval from the SPD for Nato's "arm and negotiate" strategy of December, 1979, towards the East. The Nato stand meant that if the Russians could not be persuaded through negotiation to renounce their lead in the intermediate range field, then Nato would start to deploy new U.S. missiles in Europe — and notably Germany — from 1983.

It was a "carrot and stick" strategy and the eyes of many in the SPD have been fixed firmly on the carrot — a quick start to serious negotiations.

Meanwhile Mr Gierek has gone and the Polish crisis bubbles on—an ever-present threat to the East-West dialogue on missiles, economic co-operation or anything else. Herr Schmidt's long-time friend and ally, M Giscard d'Estaing, was displaced from office in the French Presidential elections in the spring. President Ronald Reagan has replaced Jimmy Carter in the White House—determined to take a tough line with Moscow and negotiate only against a background of growing military strength.

Missile limitation negotiations between Washington and Moscow are only starting next month—two years after the Nato "twin track" decision. In that time impatience with the U.S. has grown not only in the SPD but in the FDP, of which the Foreign Minister, Herr Hans Dietrich Genscher, is leader.

It has been intensified by President Reagan's decision last summer to build the neutron weapon and it has brought growing sympathy within both Government parties for that non-parliamentary "peace movement," which wants no more nuclear missiles in Germany in any circumstances, and whose demonstration in Bonn a week ago drew more than a quarter of a million people.

It is not certain that Herr Schmidt will be able to gain endorsement of the Nato stand at the SPD conference in Munich next April. If he does not, then he has said he will step down. That would spell the end of the coalition, since Herr Genscher would not stick to a party which had disowned the Chancellor on so crucial a security issue.

Despite these problems it still seems marginally more likely that Herr Schmidt will carry the day. Ironically, the late start to Moscow-Washington negotiations also means that no one can reasonably expect marked progress by next April—so the Chancellor's message to the SPD conference is bound to be "don't rock the boat now."

The gravest danger to the coalition may in fact emerge over a quite different issue—economic strategy and unemployment.

At first sight this seems absurd. It is quite possible that next year West Germany, by comparison with most other countries, will have so low an inflation rate, so strong a currency and so large a trade surplus that non-Germans will start to talk about an "economic miracle" again.

In fact, there will be little miraculous about it—merely the result of currency decline in 1980 and part of 1981 which made German exports more price-competitive on world markets, combined with a tight monetary policy by the independent Bundesbank, steps to cut government borrowing in 1982 and a wage bargaining round this year which brought average increases below the rate of inflation. The Japanese took a similar path to new success—but a year or two before the Germans.

The main problem is that even with all these benefits and a real increase in Gross National Product (GNP) next year of as much as 2 per cent, the jobless total will continue to grow. An average 1.4m unemployed next year may seem fairly modest when measured against the figures in Britain or France. But for the Germans it is historically high and could upset some of the assumptions on which the country's social consensus is based.

This year, with declining economic growth in real terms, the trade unions supported by many in the SPD demanded a big state investment programme to try to create more jobs. Instead, under FDP pressure, a major Government savings programme emerged for 1982, with cuts in planned expenditure of close to 1 per cent of GNP. Is the Government going to reject similar demands for job-creation programmes next year too?

The FDP's answer seems bound to be the same as it was *this summer—when it made the* issue of Government spending one on which the coalition stood or fell. It will have some SPD Cabinet members on its side — but a growing number of SPD Parliamentarians will be opposed. Many will argue that the SPD may (just) be able to afford losing some of its young voters to the "peace movement" or the ecologists. But if the party is seen not to be able to act strongly against growing unemployment, then it will lose its essential support in the trade union movement. There is a lot in this argument politically—whatever view may be taken about the virtues and vices of Government spending.

It implies that the conflict which emerged on the issue between the SPD and FDP this year may break out again with renewed force.

It is against this background that the strong West German criticism of high U.S. interest rates should be seen. The Americans complain — with some justice—that for years Germany urged them to combat inflation, and that now they are doing exactly that the Germans complain. But the particular reliance of the U.S. on monetary policy to achieve its goal brought problems for the D-mark, the German economy and the coalition.

The Bundesbank felt forced to keep its interest rates up to prevent an outflow of funds drawn away by high U.S. rates. Yet a high domestic interest rate level was just the reverse of the medicine the depressed German economy needed this year. It meant the state had to pay more for its borrowing than it would otherwise have done—and it intensified the struggle over economic strategy which nearly brought the coalition down in the summer.

None of this means the Americans can be blamed for Germany's own policy errors. But it does help to underline how greatly the Germans are dependent on decisions taken beyond their control, and not least those emerging from Washington and Wall Street.

The coalition was in any case bound to have a bumpy ride in 1982, and needed a firm hand at the top more than ever to see it through the dangers. Herr Schmidt's health problem has introduced a new factor of uncertainty for an already vulnerable Government.

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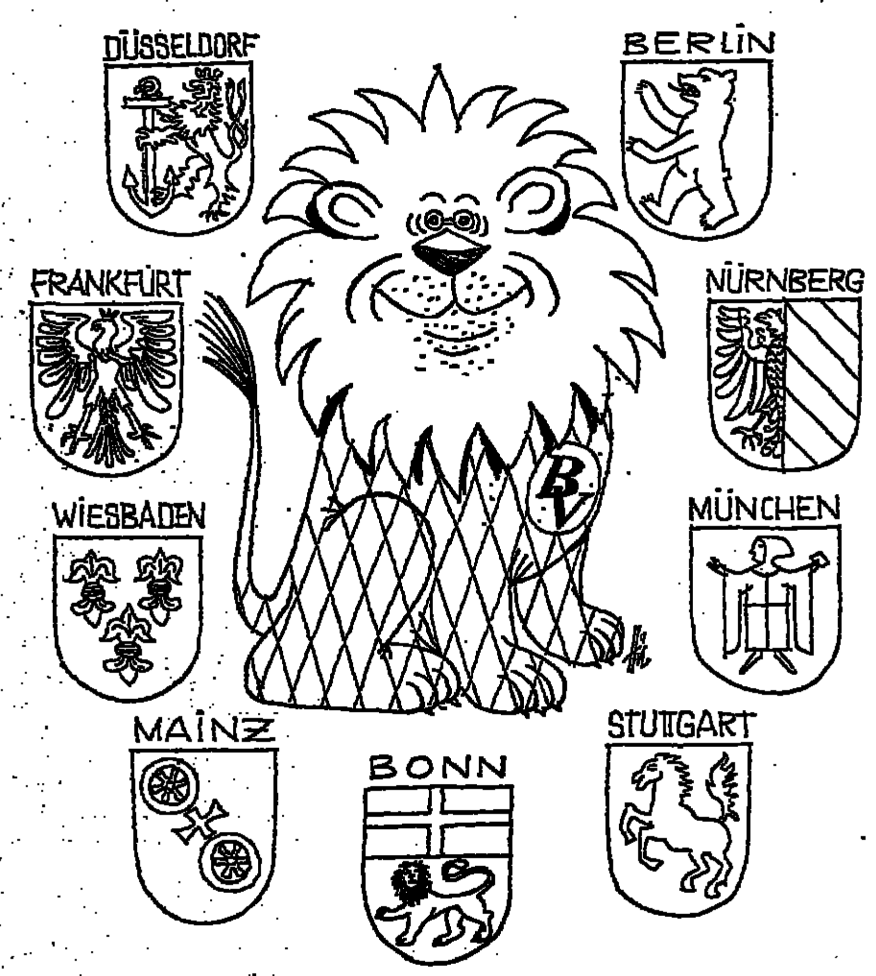


Signal of a stronger D-mark

Economy

JONATHAN CARR

A CASUAL OBSERVER of the West German economic scene could easily be forgiven a sense of bafflement this autumn. He would note that the D-Mark had been making striking gains against the U.S. dollar and had been formally revalued by 5.5 per cent within the European Monetary System (EMS) at the start of October.

Yet he would also dimly recall a string of dismal records this year which seemed to suggest that the German economy was going to the dogs.

His memory would not be playing tricks. Germany's gross national product (GNP) fell in the first half of 1981 in real terms (*after allowing for inflation*) by 1.3 per cent against the same period of 1980. That is the first real reduction in GNP since 1975.

Consumer prices have been shooting up alarmingly (by German standards) and in September were 6.5 per cent higher than in the same month last year. That is the biggest rise since late 1974. Further, the country has run deficits on its visible trade on three occasions this year—most recently in August.

On the face of it these do not look like circumstances in which a currency would strengthen. If West Germany ever was a "locomotive of the world economy" (and admittedly the Germans themselves struggled hard against accepting so ambitious a role)—then it has surely run out of steam, if not actually gone into reverse.

Or has it? The currency markets are not always right—but on this occasion the signal of a stronger D-mark is almost certainly correct. There is plenty of evidence to suggest that next year Germany's economy will be performing more strongly than most of its key rivals. That may not be saying very much—if high interest rates persist throughout the Western world and the jobless total continues to grow. But relatively speaking, the Germans are set to do well.

That 1.3 per cent fall in real GNP in the first half of this year is both better—and worse—than it looks at first sight. It is better because the economy's performance is being judged against a particularly buoyant first half of 1980—which tailed off sharply in the second half. In fact, the story in the first half of 1981 has not been one of further deterioration but of stagnation at a low level.

The GNP result looks worse if one (legitimately) considers what it would have been without a quite unusually strong boost in demand for German goods from abroad. This is by no means the first time that Germany's export success has warded off deep recession at home—but it is certainly one of the most striking examples.

As it is, industrial production in the first seven months of this year fell by 2.2 per cent and retail sales by 3 per cent against the same period of 1980. Overall orders to manufacturing industry were down by 2.7 per cent — and would have plunged more steeply had it not been for the rise of 5.9 per cent in export demand. While export sales were picking up strongly, the rate of increase in imports sharply declined — depressed by the weak home market.

As a result (and despite those three trade deficit months already mentioned) West Germany had a trade surplus of about DM 10bn in the first eight months of this year compared with one of DM 3.4bn in the same period of 1980. This improvement is now being honoured by the currency markets — although at minus DM 24.2bn the country's current account deficit is slightly higher than in the first eight months of 1980.

Details of Germany's trade and current account performance—and the implications for the policy of the Bundesbank—are covered in other articles of this survey. Here it is enough to say that the fall of the D-mark from about the end of 1979 until quite recently proved a double-edged sword. On the one hand it made German export goods more price-competitive, but on the other it boosted import prices (up by more than 18 per cent in July against a year earlier) and hence the imported element of West Germany's inflation.

There were of course a few ritual grumbles about new problems for exporters when the D-mark was revalued within the EMS (in whose member states the Germans do more than 40 per cent of their trade. But in general there was a sense of relief that the country at last semed to be starting to emerge from the vicious circle of external deficit, weakening currency and growing inflation and returning to the virtue of past years.

That in turn is enabling the Bundesbank to relax interest rates a little (even though they continue to *stay high in the* U.S.) and thus help boost economic activity at home.

Prospects that interest rates will decrease further next year have also been improved by Bonn government budgetary measures approved in the late summer. Under these measures—involving a small increase in revenue and a big cut in planned expenditure—the Government's net borrowing requirement is expected to be cut to about DM 27bn (or less than 2 per cent of GNP) in 1982 after about DM 34bn this year.

The upshot should be (it is probably rash to state that it will be) to take pressure from the public sector off the capital market at a time when private enterprises are likely to be lining up for credit.

The cut in borrowing may not *seem* to be particularly big—but the political effort involved to force it through was huge indeed. Members of the Social Democrat Party (SDP)—the senior partner in the Left-liberal coalition — were pressing for a big state investment programme to try to create more jobs. But the Finance Minister, Herr Hans Matthoefer, stressed that he was against tax increases to finance such a plan—and that a bigger state deficit would be self-defeating.

He believed the Bundesbank would simply react by tightening its monetary policy further — which is almost certainly true. Rarely can the strength of an independent central bank have been more clearly demonstrated.

The economy is probably set fair for that "moderate upswing in price stability" which the Germans constantly describe as their goal. In its "economic outlook" published in July, the Paris-based Organisation for Economic Co-operation and Development (OECD) foresees a powerful boost to exports in 1982, with about 2 per cent real GNP growth and a 4 per cent inflation rate.

The Bonn Government agrees with this general trend though at present its projections are slightly less positive. But even if everything works out as hoped (a rather big proviso) and 2 per cent growth is achieved, the number of Germany's unemployed will increase further.

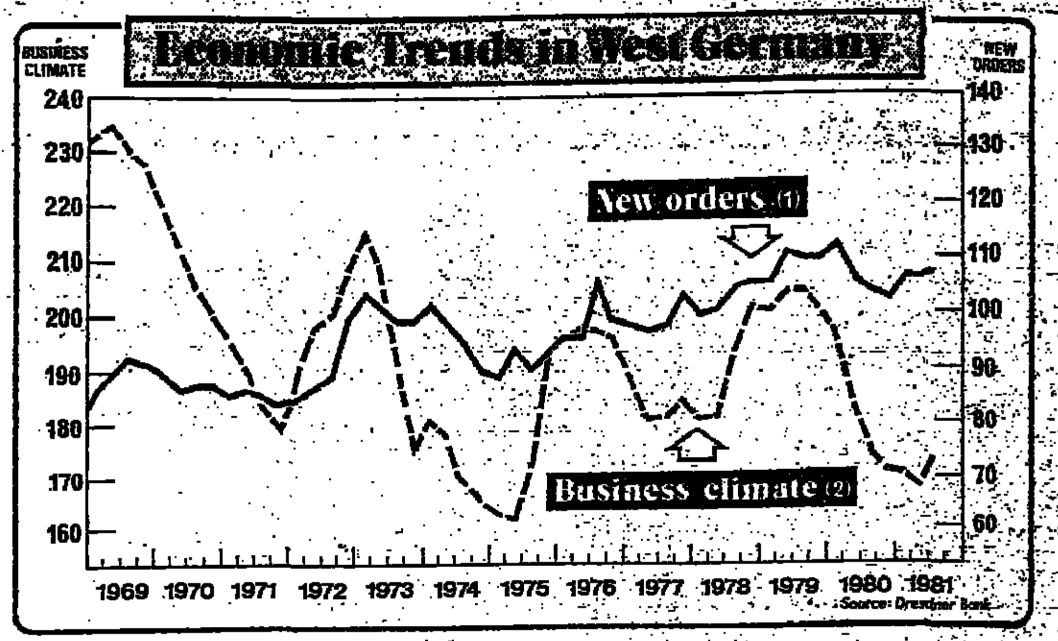
The Government is at present reckoning on an average of 1.4m unemployed next year—which is fewer than in Britain or France but still very high indeed by German standards. Most people expected an increase in the jobless total this year. But the speed of the rise came as a shock. In September, 1.3m people were without work—a rise of 53 per cent on the figure a year earlier and an unemployment rate of 5.4 per cent against one of 3.5 per cent before.

The problem is not just that enterprises squeezed by recession are laying off workers but that more people are now coming on to the labour market. Many of these are the children of foreign workers now reaching employable age and who will probably not be ready to do the fairly menial jobs their parents accepted.

The potential for social friction is clear. Further, that average unemployment rate of 5.4 per cent conceals the fact that in several parts of the country the problem is much more acute. This is the situation in the northern states of Lower Saxony and Bremen and in the country's most populous state of North Rhine-Westphalia (where in one city the jobless rate is close to 10 per cent).

So far, the rise in unemployment as such has brought almost no violent reaction. One main reason is that West Germany has a tightly-woven social security network which has remained almost unchanged even *after the Government's budget* savings effort this summer.

But what of the future? The Government has rejected Keynesian programmes to boost the economy, yet the self-healing power of the market seems insufficient to cut the number without jobs and the trade unions are becoming increasingly restless. The SPD-led government has plenty of problems just now, but unemployment is probably the most dangerous of the lot.



DEMAND, OUTPUT AND PRICES

Percentage changes Volume (1970 prices) Seasonally adjusted at annual rates	1979 current prices DMbn	From previous year 1980	1981	1982	From previous half-year 1980 II	1981 I	1981 II	1982 I	1982 II
Private consumption	766.4	1.5	−0¾	0¾	0	−0¾	−1¼	1	2¼
Government consumption	278.6	2.4	0½	2	0.3	0½	2½	2	2
Fixed investment	314.4	3.7	−5	−1½	−1.4	−5½	−7½	−0½	2½
Public†	46.1	3.3	−5¼	−2½	−10.1	−3¾	−2½	−2½	−1¼
Private residential	89.4	3.4	−8	−4½	−5.2	−9½	−8	−4½	0
Private non-residential	178.9	4.0	−3½	0	2.3	−4½	−8	−1½	4½
Final domestic demand	1,359.3	2.2	−1½	0½	−0.3	−1¾	−2½	1	2½
* plus change in stockbuilding	28.7‡	−0.3	−1½	0	−1.4	−1½	−1½	0½	0½
Exports of goods and services	382.4	5.5	2½	8	−6.1	6	4½	8½	10
Imports of goods and services	370.1	5.9	−2	3½	−2.6	−1½	−1½	4½	6¾
* plus change in foreign balance	12.4‡	0	1½	1½	−1.2	2½	1¾	−1½	1¼
GNP at market prices	1,400.4	1.8	−1½	2	−2.8	−0¾	−1½	2¾	3¼
GNP implicit price deflator	—	5.1	4½	3½	6.4	3½	3½	3½	3½
Memorandum items									
Consumer prices§	—	5.4	5½	4	5.5	6	4½	3¾	3½
Industrial production	—	0.2	−0½	2¾	−6.2	3	−1	4	4½

* As a percentage of GNP in the previous period. † Excluding nationalised industries and public corporations. ‡ Actual amount of stockbuilding and foreign balance. § National accounts implicit private consumption deflator.

Source: OECD.

Search to rediscover profitable exports

Trade

STEWART FLEMING

THROUGHOUT the 1960s and 1970s West Germany was able to follow an economic growth strategy based on a dynamic export sector. For over 20 years it has been the world's second largest exporting country behind the U.S.

According to figures produced by the Cologne-based Institute of the German Economy (DIW), in 1979 West Germany's share of world export markets, at 10.5 per cent, was just behind America's 10.9 per cent and still ahead of Japan's 6.3 per cent. In the past decade, however, the Japanese share has been expanding while the shares of its two biggest rivals have been shrinking.

The challenge now facing West German economic policy-makers is to try to rediscover the secret of export-led growth for an economy which has almost two years of stagnation behind it and which must improve its international trade performance in order to bolster the value of its currency on international exchange markets and fight inflation at home.

After a year during which it has been fighting a rearguard action to try to maintain the economy on an even keel, the Bundesbank, the West German central bank, is showing signs of moving on to the offensive in its efforts to nurse the German economy back to health. Early this month it saw its hopes of a revaluation of the D-mark within the European Monetary System (EMS) realised with a decision to allow the value of the Mark to increase by 8½ per cent against the French franc and Italian lira and by 5.5 per cent against the Irish punt, the Belgian franc and the Danish krone.

Almost as soon as the EMS re-alignment was announced, however critics of the decision in Germany were saying that it would make it even more difficult for Germany to improve its international trade balance because it would make exporting harder and at the same time raise domestic unemployment by adding new burdens to export industries.

The deterioration in West Germany's international payments position and the dramatic decline in the size of the country's traditional trade surplus have been at the centre of the Federal Republic's economic

CONTINUED ON NEXT PAGE

Narrowed goals replace the broad vision of Ostpolitik

GERMAN POLITICAL journalism favours the meteorological cliché. So much so that mal du mer and Bonn's foreign policy have become almost inseparable over the past few months. If the analysts are to be believed, storm clouds have been gathering, the sea of detente has hit rough waters, German policies are foundering on the rocks of the Superpowers and all Bonn can do is batten down the hatches and wait for the storm to pass.

In short, the Germans are worried. Worried both by the rapid shifts in international affairs and by Bonn's limited ability to influence events one way or another. A decade of Ostpolitik—Bonn's conciliatory policy towards Eastern Europe—taught Germany how to exploit its limitations, how to carve out space for action in a world that was still suspicious of independent action by Bonn.

German foreign policy learned then to assume certain guises—to act through the European community, for example, to achieve both European and German goals. Or to make use of the country's relative prosperity to solve or postpone problems. Now the boundaries of what is possible, stretched by Ostpolitik, have bounced back like elastic.

The politics of vision, of broad new horizons opened up in the past decade, has been replaced by the cautious pursuit of narrowly-defined goals—above all by the revival of arms control talks between Moscow and Washington. But if evidence is needed of how difficult foreign policymaking has become for Germany, a quick glance at the roll call of world leaders will suffice.

Chancellor Helmut Schmidt's close friend and ally President Valery Giscard d'Estaing, has been succeeded by Francois Mitterrand, a man who shares no great personal communion with the German leader. In Poland, Mr Edward Gierek—Herr Schmidt once commented that he would be happy to have Mr Gierek in his Cabinet—was ousted, robbing Bonn of its main East European link.

Herr Schmidt had just about learned to live with President Jimmy Carter and his gregarious advisers, when the November 1980 elections brought Ronald Reagan to power. The turning point for German foreign policy—the time when it ceased to be merely an economic giant and a political dwarf—is generally acknowledged to be the Guadeloupe Summit meeting of January 1979, when the U.S., French, British and German leaders met to discuss world problems. Yet Herr Schmidt is the only remaining member of the "Big Four" leaders.

There have thus been three factors at work over the past 18 months. The first is the elaborate learning process needed to understand and to adjust to the political swings in the world (Centre-Left to Right in the U.S., Right to Left in France, from predictability to chaos in Poland). This has frozen initiative and stimulated long-extant problems in the alliance.

The second is the revised perception of the Soviet Union. After a decade of Ostpolitik

Foreign policy

ROGER BOYES

and detente, of defusing the Soviet threat, the Soviet Union invaded Afghanistan and started to make threatening noises about Poland. For the U.S., that meant detente had failed and the few remaining illusions crumbled. For the West Germans, it reinforced the need to maintain stability in Europe and talks with the Russians.

Bonn thus has had a double task—to convince a sceptical America that it is still worthwhile talking to Moscow and to convince Moscow that if it upset the stability of Europe (by invading Poland) that would mean the end of dialogue with the West. To some parts of the U.S. administration that seems to border on logical inconsistency. But the paradoxes are inherent in any policy that seeks simultaneously to scare the Soviet Union (deterrence) and to win its trust (detente).

Finally, the economic restraints on German foreign policy are looming large. This is not just induced by the recession but also reflects the cumulative burden of financial commitments made over the past 20 years to keep the peace and gain leverage. Consider the direct advantages that economic prosperity has conferred on Germany over the past few years: It has been able to increase regularly its defence spending by close to 3 per cent annually in inflation-adjusted terms, to bolster Turkey on Nato's southern flank, to give military aid to a number of other alliance members, and to buy U.S. arms technology rather than develop its own arms industry.

All these benefits, bought at great expense, allowed Bonn o reassure the U.S. of its commitment to the alliance at a time when it was trying to build a bridgehead to the East. In the European Community, Germany was the paymaster, the largest net contributor to the budget for many years. In Eastern Europe, the Bonn Government encouraged banks to assist Poland in its industrial expansion.

What remains? The defence budget is unlikely to show any increase in real terms, Germany has to think very seriously indeed before pledging new aid to Poland, and instead of continuing with its traditional pacifier role in the European community it has fought hard (though with only limited success) on such issues as German access to Canadian fishing waters and raised the spectre of limiting European steel imports, though both issues have meant clashing with other EEC countries.

Germany is no longer the coordinator of the Turkey aid package and its financial assistance to the Third World in general is advancing at only a very modest pace.

Add the financial restrictions to the colder world climate—to borrow one of the meteorological metaphors—and it may seem surprising that the Bonn Government is doing anything at all. In fact, in a series of modest, incremental steps, it is trying to do as much as possible. It is the expectations that have been scaled down.

Here are the main evolving policy directions:

● Bonn has become a moving force in the efforts to bring about a closer European union (explored in depth in an accompanying article) and to establish more security and co-operation between the EEC members.

● Chancellor Schmidt's government has constantly prodded Washington to resume arms control talks with Moscow. This has had some measure of success but also has created two problems.

First, it has put most of the pressure on Washington—Moscow agreed readily enough to arms talks during Herr Schmidt's visit to the Soviet Union last summer—and has thus made it seem (not least to youth protestors in Germany) that the U.S. does not really want negotiations.

Second, having got the Superpowers to the negotiating table, Bonn now has to ensure that European security interests are not neglected in the talks. This is likely to prove even more difficult than the last 12 months of prodding and could open up fresh tension in the alliance.

● Contacts with the Soviet Union have continued. The sustaining pillar of Ostpolitik now seems to be the East-West interdependence over energy, in particular the planned multi-billion dollar gas pipeline deal with Moscow—linking Siberian gas deposits to Western Europe. The deal has given rise to sharp criticism from the U.S. which fears that Bonn will become overly dependent on Soviet energy and suffer politically.

Here the fundamental difference in transatlantic philosophies becomes apparent: Bonn believes East-West trade is a stabilising element in international affairs, the U.S. Administration seems to regard such trade (or at least when Germany carries it out) as a sophisticated blackmail weapon in the hands of the Russians.

Meanwhile, the gas deal is so far advanced that Mr Leonid Brezhnev, the Soviet leader, is expected to sign the agreement when he visits Bonn in November. Soon afterwards, Herr Schmidt is expected to meet Herr Erich Honecker, the East German leader.

● The recognition that Germany cannot afford to make enemies in the Arab world—it receives the bulk of its imported oil from Arab and North Sea producers—has led to a concerted attempt to strengthen ties with countries such as Saudi Arabia. Again, a centrepiece trade deal symbolises the issues and the adjustments in Bonn's foreign policy.

Saudi Arabia has asked, informally, for the supply of several hundred Leopard Two tanks and other armoured vehicles. Apart from the cash involved, Bonn would cement a friendship with a country that has emerged as a willing lender to Germany as well as a prime oil supplier. But against that has to be set Germany's historical moral debt to Israel, some internal political opposition within the ruling coalition and Bonn's very strict guidelines on exporting arms to troublespots.

No final decision has been announced, though there have been signs that the deal will not go through after all. Despite this, Germany has become more forthright in its support for the Palestinians' right to self-determination and has actively helped to shape European policy on the issue.

Quite apart from the bilateral issues—there are clearly many, many more problems at several levels—Germany plays a significant party in international organisations. The country was particularly proud of supplying the last president of the United Nations General Assembly, Herr Ruediger von Wechmar, and, by most accounts, he made a good job of it.

Yet dilemmas abound and Germany's political, historical, economic and geographic limitations pinch like a pair of ill-fitting shoes. Germany can indeed batten down the hatches and ride out the storm—but those limitations remain, a source of nagging frustration in a powerful country.

Search for profitable exports

CONTINUED FROM PREVIOUS PAGE

problems in the past two years. Between 1978 and 1980 the German current account plunged from a surplus of DM 18.4bn to a deficit of DM 30bn. A deficit on services which doubled to DM 14.7bn over this period and a decline in the trade surplus from DM 41.2bn to DM 8.9bn accounted for the deterioration.

But within this overall picture a combination of increasing imports of manufactured goods—and in particular oil—were largely to blame. The Bundesbank has estimated that about half the DM 48bn turnaround in the current account can be explained by oil imports.

Germany's oil problem, however, is twofold. Initially it was the "second oil-shock" and the higher cost of oil which hit the trade accounts, but throughout most of the past year the weakness of Germany's current account has been fuelling a steady decline in the value of the D-mark against the dollar, the currency in which oil is priced. Thus even though oil consumption is down this year by almost a fifth, the cost of energy imports is expected to surge from DM 65bn to DM 75bn.

The rising cost of imports because of the weakness of the D-Mark has also fuelled domestic inflation. In August, for example, import prices were some 20 per cent higher than a year earlier.

Throughout much of the past year, in order to combat these problems, the Bundesbank has been following—albeit of necessity—a classical devaluation strategy aimed at turning the trade accounts around and curbing inflation. It has kept a tight monetary squeeze on the domestic economy and hoped that the steady devaluation of the D-Mark in both money and real terms would on the one hand stimulate German exports and on the other reduce the demand for imports, which have been becoming more expensive.

Since the second quarter of this year there have been signs that this strategy has had some positive results and the central bank has begun to speak of a turning point being reached after the record current account deficit of over DM9bn in the first quarter.

Import growth has slackened off during the year, with a rise of only 5.9 per cent in the first half-year, while exports have grown by 6.8 per cent. There was a particularly strong surge in the second quarter, when exports were 11 per cent higher than in the corresponding period of 1980 and 7 per cent up on th final quarter of 1980.

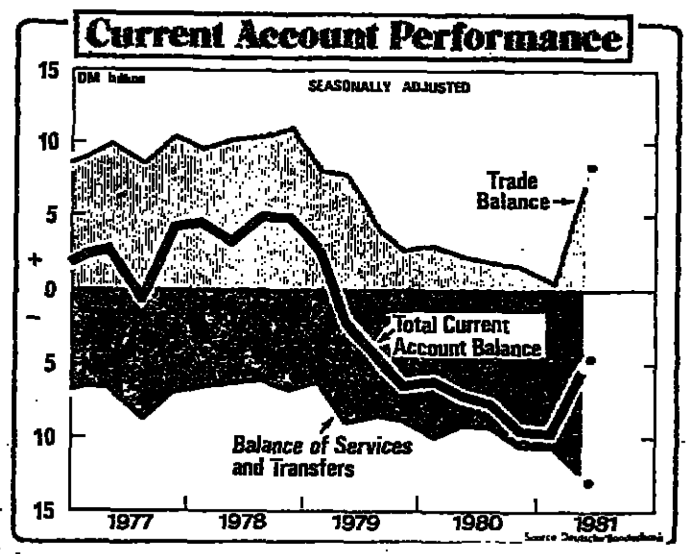
There have been some spectacular export successes in this period. Exports to Opec countries were some 35 per cent higher in the first half of 1981 compared with the first half of 1980. Exports to newly industrialising countries such as Brazil and South Korea are up by a quarter. But exports to the industrialised countries, which account for 70 per cent of total export trade, have been relatively sluggish in general, reflecting in part the weakness of these economies.

It is thus premature to talk of an "export boom" and on the evidence so far difficult to envisage an improvement in the German current account in 1982 to the deficit of only DM 8bn forecast recently by the Westdeutsche Landesbank. Many economists have also concluded that the export sector's performance is not sufficient on its own to drag the economy out of recession.

If such judgments are correct then the revaluation of the D-mark within the EMS—particularly if, as seems to be the case, it coincides with the strengthening of the German currency against the U.S. dollar—has much to recommend it.

The stronger D-mark can make a contribution towards curbing domestic inflation, and also, particularly as it relates to the dollar, to easing the burden of costly energy imports on the foreign trade account. The combined impact of these factors will in turn make it easier for the central bank to begin to ease its monetary policy and create more favourable conditions for German businessmen to undertake the investment badly needed to improve the overall competitiveness of the economy and particularly the export sectors.

While it is hard to imagine, given the depressed state of most major world economies, that Germany can look forward to a repeat of its export successes of the 1970s, its relatively low inflation rate in relation to its European competitors should mean that its competitive position will not be seriously affected by the EMS currency realignment which has just taken place. For all of these reasons the prospect of a steady improvement in the Federal Republic's current account position is much better today than only a few months ago.



The chart shows how Germany's visible trade performance is helping to cut its current account deficit (seasonally adjusted)

National interest pursued through policy of integration

EVERY NOW and then the West German Cabinet holds what is called a "Europa klausur." The Ministers go into a huddle—sometimes at a castle near Bonn to get even further away from prying journalists—and try to thrash out what policy they should follow in the European Community.

There are usually bitter complaints about the Common Agriculture Policy, about the size of Bonn's payments to the Brussels budget (the Germans are much the biggest net contributors), and about the unhelpful attitude of other member states (*Britain is said to be most often mentioned*).

At the end of it all this kind of formula emerges: "The development of the EEC is a key aim of our foreign policy. We want to see more European integration and we will do all we can to bring this about. But we are not prepared to make open-ended cash commitments to a Brussels budget, some 70 per cent of which goes to farm policy alone and much of that to finance surplus production. We insist on budgetary—and therefore CAP—reform."

Despite *repetition* of this stand the CAP has remained very largely unreformed and Bonn's net contribution has continued to increase sharply—*not least because of the extra* payments being made in connection with the budgetary settlement for Britain last year. Don't the Germans mean what *they say?*

The answer is—they certainly do but they are trapped in a set of circumstances on which their firmest intentions can make relatively little impact. For one thing, any West German government still has to operate in the shadow of the 1939-45 war. That may sound rather unlikely, since it is now more than three decades since the war ended and Chancellor Helmut Schmidt is often (but wrongly) spoken of as a leader who can press German interests virtually untrammelled by past history. But anyone who has watched the weary negotiating process in Brussels for years, can testify that the British and French—if they really wish—can get away with a tough and independent stand which the Germans simply cannot permit themselves.

The French have long been more adept than the British at clothing their wishes within the trapping of "politique communautaire," but that does not mean they are less bent on pursuing their national interest—rather that they do it more *elegantly*.

Of course, the Germans are pursuing their national interests too, but in a very special way those interests coincide with *their desire for a united Europe* (whether a "federal" or "confederal" one is a secondary issue). Germany emerged from the last war defeated and *divided, its former capital more* than 100 miles behind a communist border. The hope for reunification appears to remain quite strong—but the belief that it will actually happen is much less so.

For many West Germans the European Community is a potential—albeit partial—substitute for a lost fatherland. They may have become more cynical about this over the years—which is hardly surprising. But it is still a powerful conditioning factor of German foreign policy—and no doubt it is good for other Europeans that this is so. For what would be the alternative?

Linked to this is another historical point—the reconciliation between Germany and France after generations of *strife*. Whatever differences the two may have (and of course there are plenty) they have recognised that they are doomed to co-operate. At the *heart of the scheme for a coal* and steel community in the 1950s was the idea that by pooling key European resources a new war would become *impossible. At the heart of the* birth of the EEC in the late 1950s was a deal under which German industry in particular would benefit from a Common *Market in goods and French* farmers in particular from a common agriculture policy.

For the Germans accord with France was—and remains—the essential bilateral foundation for broader European co-operation (which does not mean, of course, that such co-operation will follow automatically). Hence the failure over the years to do more than tinker with the Community's Agriculture Policy—not reform it.

Without farm policy changes there can be little improvement in the EEC's budgetary structure. And without that, all the EEC's other fledgling policies—regional, social and so on—will get short shrift. It is quite true that German farmers themselves have been benefiting from the CAP—and that Herr Josef Ertl, German Agriculture Minister since 1969, has been remarkably agile in defending his farmers' interests. But the key point has always been the *relationship with France*.

M Valery Giscard d'Estaing—when he was President—was unwilling, and in his view unable for domestic policy reasons, to agree to large-scale farm policy reform. Herr Schmidt therefore did not insist on such reform—and it is highly unlikely that any other German Chancellor would have insisted either. This is all highly unsatisfactory for the British — but then they were not members of the EEC at the time the CAP was being formed.

This is rather a lot of history, but it helps put the latest "Europa klausur" in Bonn in September in perspective. The meeting was called not least because the government's budgetary position is tighter than ever before—and a European council (summit) meeting is looming in London in November at which some kind of "showdown" has been expected on CAP and budget problems.

What was the result? The Cabinet announced that it was demanding a "noticeable and appropriate" easing in its net contribution to the EEC (not, it should be noted, an actual reduction or even a demand that Germany should no longer be the biggest net contributor). And the go-ahead was given to the Foreign Minister, Herr Hans Dietrich Genscher, to pursue his plan for a "European union." The contours of this plan are far from clear—but it does seem to imply closer EEC foreign ministerial consultation, greater discussion than hitherto *of security matters*, more (but not a lot more) power to the European Parliament, and the drawing up of a "basic document" on the union, not actually a treaty, which would be subject to parliamentary ratification in the member states—a ticklish business in Britain and perhaps France.

Herr Genscher is known to want agreement in principle on his union plan at the November summit gathering. He certainly does not want a major set-to on the budget upsetting things. This does not mean that he, let alone others, including Herr Schmidt, does not plan to put the case for budgetary savings. But it does mean that broader political considerations are going to prevent the Germans from throwing down the gauntlet. It is a familiar picture.

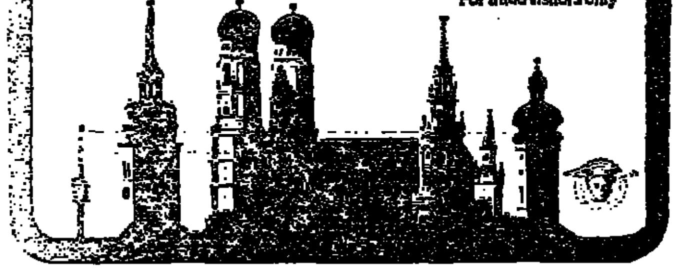
But surely some things have changed in Europe? In particular, there was the removal from office of Herr Schmidt's friend M Giscard d'Estaing, in France's *spring elections*, to be replaced by the Socialist President Francois Mitterrand. The Germans clearly do not like the course of M Mitterrand's economic policy—feeling that it will increase inflation and produce yet more strains in the European Monetary System (EMS). They are also worried about M Mitterrand's talk of "a social Europe"—which could mean a still bigger EEC budget, and a still higher German contribution. Might not the Franco-German relationship be cracking?

The German answer is that it must not be allowed to crack—*although* clearly it will *go* through a difficult period. It is hoped that M Mitterrand may be somewhat less sensitive to farmers' interests *than his* predecessors—though that is *not* sure. It is also hoped that he may trim his socialist economic policy sails a little after the first run-in period of his Government.

But in the end, it is stressed, what the Germans will push for in the EEC context will depend in the first place *on the broad* balance of interests to be struck with France. To that balance belong security and East-West issues—as well as an appreciation of the domestic scope for manoeuvre which M Mitterrand feels himself to possess. "*Plus ça change, plus c'est la même chose.*"

Europe

JONATHAN CARR



Magnified picture of the tensions within Nato

IMAGES FROM a German summer. Thousands of peace demonstrators march through the streets of Berlin, Hamburg and Bonn carrying foam rubber effigies of Pershing Two missiles and President Ronald Reagan. Polls show that the military establishment has particularly low popularity among young Germans. Left-wing Social Democrat deputies address meetings about the need to scrap the neutron warhead and drop plans to deploy new American missiles on German soil.

These are diverse and disturbing symptoms of the tensions within the Nato alliance, magnified in West Germany because it is such a key component of the West's defences. Admittedly, they are not altogether typical of German public opinion — the evidence seems to suggest the broad mass of Social Democrat (SPD) and Christian Democrat sympathisers support the stationing of new U.S. missiles in the country, providing that arms control talks are held simultaneously with Moscow.

Even so, the present unrest has to be taken seriously for two principal reasons: First, the growth of the peace movement, that collection of churchmen, Left-wingers and liberals who object to the stationing of new Cruise and Pershing Two missiles in Germany. The views that *supporters of this movement* express are important for they illustrate just how far the notion of the Soviet threat, once the main cohesive force of the alliance, has receded into the background.

The Bonn government perhaps should not be too astonished by the influence that this *movement and its ideas* have gained. After a decade of detente and Ostpolitik, it was inevitable that the Russians would be demythologised, *reduced from ten-foot monsters* to human form. In the 1950s the Soviet Union seemed to West Germans like an incalculable beast, a true enemy *capable of suffocating Berlin*, subjugating Germans in the East and, above all, ready to march into West Germany should this satisfy whim and ambition.

But consider how the world looks to a 20-year-old German who has grown up in the era of detente and has no memory of the Cold War let alone the Second World War. To him, the Russians may well seem conservative, predictable and, despite neo-imperial lapses such as Afghanistan, seriously interested in talking about arms control. Such has been the thrust of Soviet self-portraiture over the past decade and young Germans would like to believe *that the image is true*.

Now consider how the U.S. appears to the prototype peace supporter: a discredited Nixon presidency; a weak and erratic Carter leadership; and now a strong anti-Communist administration, intent on redefining alliance objectives in terms of America's national interest. These judgments are typical of the German youth movement and they help to show how difficult it is for Bonn to maintain a faith in the alliance.

This is no longer a transitional phase — though overt Soviet aggression such as an invasion of Poland certainly would undermine much of the immediate support — and it is becoming increasingly clear that it draws on a very deep German notion of nationhood.

There is a sense of limited sovereignty in Germany, of being a fully fledged and powerful state yet still not able to make essential decisions — such as the stationing of neutron warheads on its soil — on its own behalf. The U.S. will have to understand this and soften its approach on some Nato issues if it wants to keep the alliance on course.

The other major factor underpinning the problems currently bothering the German defence establishment is that of finance. Not so much how to pay for the Tornado multi-role combat aircraft, or the new generation of stand-off missiles, or the Franco-German tank of the 1990s. These are certainly problems but again they are symptoms and not causes. Germany has experienced 12 years of Social Democrat Government and although it has experienced earlier recessions, the Government has never had to choose quite as dramatically as now between spending priorities.

Social democracy's rationale is the redistribution of wealth to the needier sections of society; but now there is precious little to redistribute. On the contrary, the financial logic dictates widespread social spending cuts, hitting at the very essence of SPD philosophy. How then is the Government to justify to its party the raising of defence spending at the cost of social welfare? Mr Casper Weinberger, U.S. Defence Secretary, touched Germany's raw nerve when he recently suggested as much.

Defence spending as a proportion of overall federal spending has steadily dropped. Significantly, the Bonn Government has decided to raise the defence budget by only 4.2 per cent in 1982 — exactly the average level of overall spending increases. This is thus a signal to the party stalwarts in SPD — "we may be cutting back important social spending," runs the message, "but we are not doing it simply to bump up the defence budget."

The result is that Germany's armed forces have had to reduce the number of manoeuvres and training exercises because otherwise they will exceed their full allocation. The number of flight training hours have had to be cut for the same reason. Weapons procurement plans may well over-run again despite Herr Hans Apel, the Defence Minister's earnest pleadings to the contrary, and the Franco-German tank project looks even less likely to get anywhere.

Many of the financial belt-tightening exercises strike directly at Germany's reserve capabilities. Bonn has long boasted with justifiable pride that it can mobilise 1.2m men in three days. But what if these men are insufficiently trained because, for example, of Bonn's latest move to shed 1,000 training grounds to save money.

The current hardware — the Leopard Two tank for example—is of such a high technological pitch that the average 18-month conscription period is not long enough to produce a fully confident tank commander or gunner. Yet, again to save money, the Defence Ministry is scrapping financial incentives for those soldiers who choose to sign up for two years instead of 18 months.

The paradoxes abound. The U.S. complains that Bonn is not meeting its Nato target to raise *defence spending by 3 per cent* in inflation-adjusted terms (the 1982 budget will probably show no increase at all in real terms)—yet because of cost over-runs on weapons programmes—above all financial mismanagement of the Tornado aircraft programme—the Defence Ministry constantly has to push up its original allocation to pay the bills. Thus inefficiency and financial blunders help Bonn to approach the 3 per cent level. One wonders if this is what Mr Weinberger had in mind.

The peace movement produces its share of paradoxes too. It has somehow managed to identify the U.S. as the main threat to the security of Germany. The logic is as simple as it is misplaced: the new Cruise and Pershing missiles to be stationed in Germany in 1983 can reach the Soviet Union, and thus Germany becomes a Soviet target. Conclusion: American and not Soviet missiles are to blame. There are no demonstrations against the Soviet SS-20 force,

CONTINUED ON NEXT PAGE

Defence

ROGER BOYES

GERMAN DEFENCE AT A GLANCE

Military service	15 months
Total armed forces (including 225,000 conscripts)	495,000
Approximate mobilisation strength	1.25m
Defence expenditure 1981	DM 42.9bn

Source: The Military balance 1981-82, International Institute for Strategic Studies.

DEFENCE BUDGET AS PROPORTION OF FEDERAL SPENDING

	1975	1976	1977	1978	1979	1980
Federal budget in DMbn	156.3	161.7	170.9	189.1	203.4	214.3
Defence budget in DMbn	31.2	32.4	33.5	35.4	37.1	38.85
Defence budget as percentage of federal budget	20	20	19.6	18.7	18.3	18.1

Source: West German Defence Ministry.

Huge impact of dependence on foreign sources

Energy

KEVIN DONE

FALLING ENERGY consumption and a particularly sharp drop in crude oil imports and oil consumption this year still cannot fully mask how deeply the rapid increase in the cost of imported energy has bitten into West Germany's prosperity over the last decade. After overcoming the first 1973-74 oil crisis with ease, the second round of dramatic energy price rises over the last 2½ years has ripped a gaping hole in the country's balance of payments.

As a country poor in raw materials West Germany lives largely on its ability to export manfactured goods, but today around 20 per cent of its exports are needed to pay the energy import bill, against 11 per cent in 1978 and only 6 per cent in 1972.

The recession, milder weather and undoubted achievements in energy conservation have helped to cut fuel consumption this year, but higher prices and the *weakness of the D-Mark against* the U.S. dollar have meant that the country's imported energy bill has continued to grow inexorably.

More worryingly in terms of the future, West Germany has made little progress towards improving the structural weaknesses of its energy position. There is a limit to the rate at which production of domestic coal, the country's one important energy resource, can be expanded and the development of nuclear power in the Federal Republic, despite brave words from Bonn, is stuck as firmly as ever in the quagmire of regulatory processes and public opposition.

West Germany's net energy *import bill—the country* depends on foreign sources for about two-thirds of its energy needs—is set to rise strongly this year to around DM 75bn compared with the DM 64.6bn last year. Net energy imports cost only DM 31bn in 1978; in 1972 the bill amounted to no more than DM 8bn.

A surplus of DM 18.5bn on the current account of the balance of payments in 1978 was transformed into a deficit of just under DM 30bn last year, and blame for more than half the "swing" of DM 48bn and the plunge into deficit is placed by the Bundesbank, the West German central bank, firmly at the door of higher energy prices.

In 1980 energy accounted for 23 per cent of the Federal Republic's total imports compared with only 9.5 per cent in 1972. Energy imports totalled around DM 7bn last year and are likely to rise to some DM 90bn in 1981. Balanced against these imports were energy exports—chiefly coal and some oil products—of just under DM 13bn last year.

The impact this overwhelming dependence on foreign energy sources is having on the country's economy is shown by the fact that as much as 5 per cent of West Germany's Gross National Product (GNP) will have to be spent on net energy imports this year compared with 4.3 per cent in 1980, 3.4 per cent in 1979, 2.4 per cent in *1978 and only 1 per cent in 1972.*

A major effort is needed to restructure the pattern of the country's energy consumption. West Germany still consumes more oil per head of the population than most other leading industrialised countries (with the exception of the U.S. and Scandinavia which have to deal with a much more difficult climate)—1,950 kg last year against France's 1,890, Italy's 1,610, Britain's 1,310 and Japan's 1,860.

Undoubtedly the country has registered some real progress in energy saving, but the next steps in this direction will be more difficult and more expensive. The volume of net energy imports dropped by 1 per cent from 1978 to 1980 while there was in the same period a 6.5 per cent rise in GNP. In addition the amount of energy consumed per unit of GNP has declined by 12 per cent since 1973, a performance bettered only by Japan among the leading industrial countries. From 1977 to 1980 West German industry managed to lower the amount of energy it used per unit of production by 10 per cent.

Even continuing success on the conservation front is hardly likely to lead to a drop in the cost of energy imports, however. In the first 8 months of 1981 the volume of crude oil imports fell by an extraordinary 18.4 per cent, or 12.1m tonnes, to 53.6m tonnes. Higher prices, however, ensured that the crude oil import bill still rose by DM 4.4bn, or 15 per cent, to DM 33.4bn. (Consumption of the four main oil products—petrol, diesel, heating oil and fuel oil—dropped by 13.7 per cent from January to August this year compared with the corresponding period of 1980.)

In the medium and long term the only real hope for easing the energy-induced balance of payments problems lies in further sharp increases of the country's exports — chiefly manufactured goods—and in a stronger move towards use of coal and nuclear power.

The crisis years in the German coal industry have passed and after years of decline coal production did begin to pick up again slightly in 1979. Output of German pits totalled 87m tonnes last year compared with a low point of 84m tonnes in 1978. The turnround in the coal industry's fortunes is only being achieved at great cost to tax-payers, however, with the sector swallowing DM 6.3bn in state subsidies last year.

Coal industry aid has been aimed chiefly at ensuring that home-produced coal could be used by the German steel industry and by the power generation sector at the same price as competing fuels—fuel oil or imported coal. The big increase in oil prices means that German coal now enjoys a significant price advantage over fuel oil in the power station sector, but high domestic production costs ensure that it is still considerably more expensive than imported coal.

The Government and some of the provincial states help to underwrite the industry's investment programme — Ruhrkohle, the main German coal produced, has a medium-term capital investment programme of more than DM 2bn a year—but the size of the state contributions is under threat as the squeeze on federal spending tightens, and the coal industry could well find itself having to spread planned spending over a longer period, delaying the build-up in production.

Similarly, state spending limits have hit the Government's commitment to an ambitious domestic coal conversion programme. Last year Bonn was discussing with industry more than 12 gasification and liquefaction projects involving a possible expenditure of DM 13bn. This programme has now been drastically scaled down, however, and ultimate federal backing is likely to be given for only three or four of the projects. In the U.S. Bonn has decided to drop its intended participation in a $1.4bn coal liquefaction project which it was due to undertake with U.S. and Japanese partners.

Besides coal the Government accepts that it can best move towards reducing its dependence on imported oil by expanding nuclear power generation, but despite various initiatives this programme is making only very slow progress.

By June this year West Germany had 14 nuclear power stations — including research reactors—in operation with a gross capacity of 9,063 MW. Another 12,646 MW is under construction but completion dates for many of the plants remain a matter of pure speculation. Whereas some of the earliest German nuclear power stations such as Biblis A, Stade or Obrigheim took four to five years to build, the complications of the regulatory process and growing public opposition mean that electricity ultilities must now reckon on taking at least eight to 10 years to complete a nuclear plant. The Philippsburg plant took nine years to finish and the nuclear plant at Krümmel ordered in 1972 is not expected to be commissioned before next year at the earliest.

The Government is considering plans to speed up the approval and planning process. This includes the standardisation of reactor types, standardisation and simplification of regulations and procedures across the country and a clearer definition of the rules for public inquiries. This could eventually help to cut delays in nuclear power station building but leaves unanswered the question of how the Federal Republic intends to come to grips with the problems of nuclear reprocessing and the storage of nuclear waste.

For the moment Germany is getting by through the use of French nuclear fuel reprocessing facilities and temporary waste storage facilities at the power stations but this is no permanent solution. Theoretically under German nuclear law the building or commissioning of new nuclear power stations is prohibited as long as proven methods of storage and reprocessing do not demonstrably exist. Various plans for reprocessing plants—in Hesse and in Bavaria—and for waste storage in Lower Saxony are being pursued but they are still at a very fragile, early stage.

While progress at home remains so slow, the Federal Republic is forced to continue looking abroad for new energy sources. Here opportunities are opening up, particularly in the field of natural gas. New supplies will start flowing to the Federal Republic in the mid-1980s from Norway and negotiations on a major new gas project with the USSR are nearing completion.

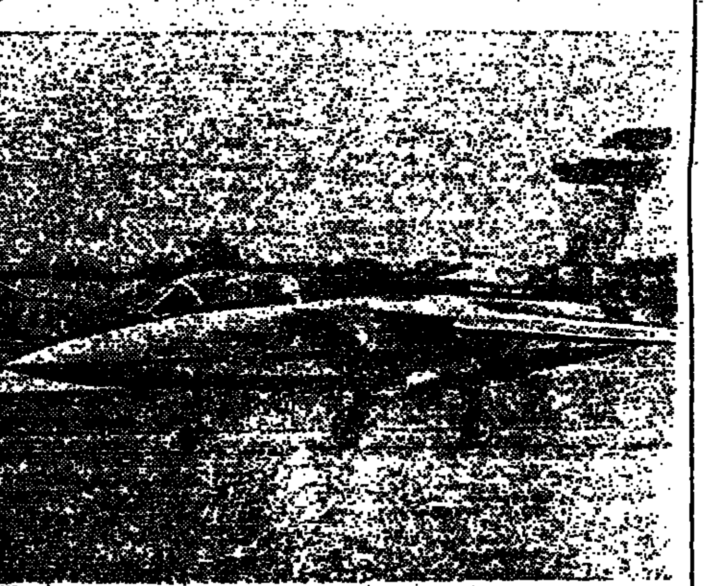
This scheme has aroused deep anxieties in the U.S. that Germany is in danger of becoming over-dependent on Soviet energy sources, which could open it to pressures of political blackmail. Bonn does not share the U.S. analysis but the case does illustrate how dependent the Federal Republic is on foreign sources of energy. Delays in pushing through a coherent domestic energy policy can only increase its vulnerability to pressures from abroad.

WEST GERMAN ENERGY CONSUMPTION

(m tonnes coal equivalent; per cent share in parentheses)

	1970		1973		1976		1979		1980	
Oil	178.9	(53.1)	208.9	(55.2)	195.9	(52.9)	206.8	(50.7)	185.5	(47.5)
Coal	96.8	(28.8)	84.2	(22.2)	70.7	(19.1)	75.8	(18.6)	77.2	(19.8)
Lignite	30.6	(9.1)	33.1	(8.7)	37.6	(10.1)	38.1	(9.3)	39.2	(10.1)
Natural gas	18.5	(5.5)	38.5	(10.2)	51.9	(14.0)	66.0	(16.2)	64.3	(16.5)
Nuclear power	2.1	(0.6)	3.9	(1.0)	7.9	(2.2)	13.9	(3.4)	14.4	(3.7)
Hydro power	8.4	(2.5)	8.2	(2.2)	4.5	(1.2)	5.8	(1.4)	7.6	(1.9)
Total	336.8		378.5		370.3		408.2		390.2	

Source: Federal Economics Ministry.



The Tornado Multi-Role Combat Aircraft. Its sharply-escalating cost has been a key factor upsetting West Germany's defence budget estimates. This in turn has brought growing pressur eon Herr Hans Apel, the Defence Minister, not least from his own Social Democrat Party

Nato tensions

CONTINUED FROM PREVIOUS PAGE

175 of which are aimed at Europe.

The Government hopes that the beginning of arms control talks between the U.S. and the Soviet Union will defuse the peace movement, and its parliamentary foothold in the Left wing of the Social Democrats. As long as the U.S. preserves the hope that a "zero option" could be implemented—under which no new U.S. missiles are stationed if the Soviet Union scraps its entire SS-20 force—then the Government can appeal to the protestors' patience and, above all, trust, in Washington's negotiating ability. Yet most defence analysts agree that the zero option is an unrealistic ambition, that talks will be drawn-out, difficult and perhaps inconclusive.

What needs to be done to restore faith in the U.S. leadership within the alliance for this is the crux of the problem?—if there is renewed faith in the U.S., then the complaints and worries will wither away without having to produce any miracle arms control agreement.

First, Washington's stark East-West confrontation philosophy has to be watered down if it is to be acceptable to Germany, which has just spent the last 12 years learning that the East can be talked to. Detente, in the view of many Americans, did not deliver the goods for Washington—it simply allowed the Russians to develop a strategic advantage.

By contrast, Ostpolitik brought real rewards for the Germans, in both humanitarian and economic terms. This should be a matter of fact rather than suspicion.

Second, the Bonn Government constantly has to remind its population that the Soviet Union and not Ameriga poses the main challenge to its security. Only this will allow it to reassess its spending priorities, boosting defence at the expense, if need be, of social welfare. That requires not only a process of convincing the young but also support from the U.S. which, for example, could produce classified pictures of the SS-20 to concretise the at present somewhat abstract threat.

Economic recovery will help of course, but it is already evident that the Defence Ministry has to organise its spending programmes more efficiently and not allow the industrial defence contractors to dictate unrealistically high prices.

Finally, by shifting the focus away from expensive main battle systems to, for instance, cheap efficient conventional anti-tank weapons the Defence Ministry can kill two birds with one stone—it can cut the cost of defence in the 1980s and it can produce a better level of training in its conscript army.

MAJOR INTERNATIONAL HOLDINGS OF MBB AFTER MERGER

42.5 per cent stake in Panavia, responsible for Tornado construction.

37.5 per cent stake in Airbus Industrie.

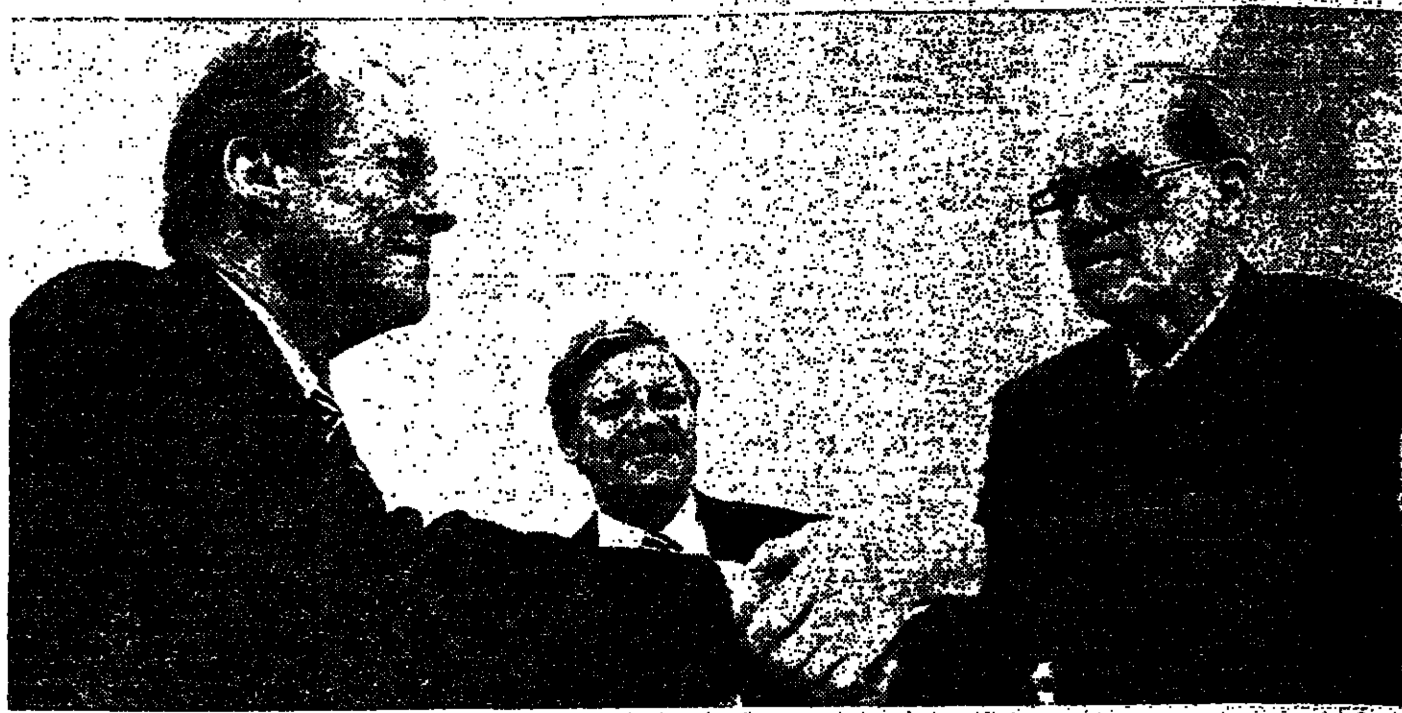
50 per cent stake in Euromissile, German-French missile projects.

24 per cent stake in Eurosatellite, producing direct television satellites.

50 per cent share in German-French production of anti-tank helicopters.

Who are the men who rule West Germany—and who would replace them if the government fell? Jonathan Carr and Roger Boyes in Bonn portray the leadership of the two government parties, the Social Democrats and Free Democrats, and of the opposition waiting in the wings.

The Troika: will it last the course?



Germany's Troika: Willy Brandt (left), Herbert Wehner (right) and Helmut Schmidt, in easier days

"WE have the most stable leadership in the Western world," said a senior member of West Germany's ruling Social Democrat Party (SPD), with only a hint of irony. "Our party chairman, Willy Brandt, will not step down so long as Helmut Schmidt remains Chancellor and Herbert Wehner stays parliamentary Whip. I cannot imagine that Schmidt will give up so long as Brandt and Wehner are still in office. And 'Uncle Herbert' does not want to go before Brandt or the Chancellor."

That was three months ago. In the meantime, the leadership "Troika" has begun to look more shaky. Herr Brandt has complained about being made a scapegoat for the SPD's misfortunes, Herr Schmidt feels Herr Brandt is running the party on too loose a rein — and Herr Wehner's health, and now Herr Schmidt's, is not of the best.

But even if the leadership is not, after all, the most stable in the West the three members of the "Troika" are still among the most interesting in politics anywhere.

Most people who have read newspapers over the last few years must feel they know quite a lot about Herr Schmidt. He is the "Iron Chancellor," disciplined, pragmatic, well able to master crises (and fond of telling other people how to master them too). He can be impatient and quick-tempered up to (and sometimes beyond) the point of rudeness—hence his nickname "Schmidt Schnauze"—or "Schmidt the Lip." He is evidently competent in economic and financial matters—and his description of himself as "the senior executive of the Federal Republic of Germany" looks a just one.

That is all true as far as it goes—which is not very far. Many public figures manage to create (or have created for them) a one-sided image—and so it is with Herr Schmidt. A couple of views of the Chancellor from other angles may help to correct the balance.

Earlier this year, at a time when there seemed to be even more crises than usual, Herr Schmidt took himself off to deliver a talk at a symposium on the life and work of the German philosopher, Immanuel Kant. Some people at once interpreted this as a sign that Herr Schmidt was giving up in the face of rising problems, and that he could be expected to step down before long. Others, bluntly, thought the Chancellor might just be trying to show how clever he was.

But in fact the Kant address fitted well into a picture which is not that of a simple "macher," a word often used about Herr Schmidt and implying one whose strong point is action rather than thought. There is plenty of evidence that over the years Herr Schmidt has spent a lot of time considering the basis of political power—and its limits.

For example, there is his frequent careful distinction between "Grundrechte," — basic rights which the State must unreservedly defend, and "grundwerte,"—basic values, elaborated by social groups including the churches and whose content the State must not even try to dictate.

HELMUT SCHMIDT

Chancellor (head of government) and deputy chairman of the Social Democrat Party (SPD)
Born December 22, 1918
1969 Federal Defence Minister
1972 Federal Economics and Finance Minister
1974 First elected Chancellor (re-elected 1976 and 1980)

Kant with his concepts of "pure reason" and the "categorical imperative" has clearly been one major influence on Herr Schmidt's thinking. Marcus Aurelius—the stoic—has been another.

On East-West relations, Herr Schmidt is generally identified with phrases about economic co-operation to reduce tension and about a "balance of power at the lowest negotiable level of forces." He is not usually seen as one who has considered where all this is supposed to lead to in the next century.

Hence the astonishment of a visiting group of academics and politicians (mainly Americans) when the Chancellor embraced just this topic. He talked of a cultural Europe from the Atlantic to the Urals—a community to which Tolstoy and Chopin belonged just as much as Dante, Goethe and Shakespeare.

The ultimate aim of "Ostpolitik," was to create a Europe not only where people could live peacefully but within which artistic, philosophical and other influences could interchange.

None of this means that Herr Schmidt is actually an artist or philosopher and not a tough politician with a strong sense of duty. It simply implies that there are (at least) two sides to the same personality. Perhaps Herr Schmidt would never have made a painter or sculptor (though his love of Henry Moore's work has brought two large Moore works to the grounds of the Bonn Chancellery). But it is quite possible that politics claimed a man who would have been a fine architect or town planner—fields combining an artistic sense with a feel for the practical and a love of order.

Herr Schmidt's comments about a "cultural Europe" might easily have come from Willy Brandt, the so-called "Father of the Ostpolitik." But in most respects these two members of the "Troika" could hardly be more different. True, the Chancellor is more complex than he at first appears—But Herr Brandt often seems to be unfathomable.

WILLY BRANDT

Chairman of the SPD
Born December 18, 1918
1957 Governing Mayor of Berlin
1964 First elected SPD chairman
1966 Foreign Minister
1969 Elected Chancellor (resigning in 1974 but retaining his top SPD post)

Even in the days when he was Chancellor (1969-1974), there were tales of Herr Brandt's moodiness, in which periods of intense elation would quickly give way to despair. Not only would he not always steer the Cabinet with a firm hand—as Herr Schmidt certainly does. He was sometimes known to rise and leave the cabinet room altogether when the topic bored or upset him.

Like his moods, Herr Brandt's career has been marked by startling change. His success as governing mayor of West Berlin, as Nobel Peace Prize winner and, initially, as Chancellor, gave way to his shock resignation. Many thought he was finished. Yet he has not only retained one career as chairman of the SPD but has added others—as President of the Socialist International and head of the North-South Commission on Development Issues.

Earlier this year he seemed to be in such good form that some suggested he might even be planning a come-back—as successor in the Chancellery to his own successor, Herr Schmidt. But, sure enough, in October Herr Brandt was down in the dumps again and creating the impression that he had almost had enough even as SPD chairman.

One person, not a member of the SPD, who has known Herr Brandt for years, describes him as "the most complex person I have ever met. If you think you know what he is really up to, the odds are you are wrong. He gets his results by intuition and he is not very good at explaining his aims to others."

A similar point is made, more uncharitably, by a member of the SPD who has also seen Herr Brandt in action for a long time. "Willy doesn't know where he stands on a lot of issues. The more detailed and close to home they are, the less he is sure. His real home is the North-South Commission. He genuinely feels the plight of the world's poor and is good at 'broad brush' solutions. But do you think he was much help in the coalition budget negotiations here this summer?"

Despite the obvious differences of temperament, the Schmidt-Brandt tandem long seemed to suit the SPD surprisingly well. Herr Brandt could act as an integrating force, not only between the party's wings, but also between generations in a way Herr Schmidt could not have done.

But the question facing the party this autumn is whether the integration effort is going so far that the party's true identity is being lost. Herr Brandt feels that recent dismal election results for the SPD indicate above all that the youth vote is slipping away to the various ecological groups and the "peace movement." If the support of youth is lost, he says simply, then the party will die.

But Herr Schmidt feels that the SPD spends too much time on internal squabbling and not enough on explaining its policies to the public. He believes that if the SPD becomes so ill-defined that almost any fringe Group can find a home in it, then the party will lose traditional supporters—trade unionists above all. How will this fundamental dispute be resolved?

The answer lies not least in the hands of Herr Herbert Wehner, the third member of the "Troika" and the least well known outside Germany. Those who recall his name probably do so in connection with rumours that Herr Wehner was responsible for the fall of Herr Brandt as Chancellor.

The truth is rather that a series of problems (culminating in the discovery of an East German spy in the Chancellery) caused Herr Brandt to resign and that Herr Wehner did not see it as in the interests of the the SPD to try to stop him doing so.

But in any case the memory of that affair alone does scant justice to Herr Wehner—a master political strategist who, with Herr Kurt Schumacher, is probably the most important Social Democrat of the post-war period. In one respect Herr Wehner was more acute than Herr Schumacher (the SPD leader in the late 1940s and early-1950s). He did not underestimate the capacity of Dr Konrad Adenauer, leader of the Christian Democrat Party and West Germany's first Chancellor. Schumacher did—to his own cost and that of the SPD.

It was Herr Wehner who as much as anyone fought to transform the SPD from a Marxist-orientated party to one palatable to middle-of-the-road voters—a change effected at the Bad Godesberg conference in 1959. Wehner did much to bring about the grand coalition with the Christian Democrats in the mid-1960s — thus helping Social Democrats to government office in Germany for the first time since the Nazi takeover. And it was Wehner who as parliamentary floorleader of the SPD has cajoled the ranks into standing firm when the Government's majority seemed in danger.

In parliament, Herr Wehner often speaks with a passion which makes him almost unintelligible. An "old volcano spitting fire and brimstone" is how one observer put it. But there are at least two good reasons why Herr Wehner is not a man for soothing words.

One is that, as he puts it, he has been "burned" by Communism. Born in Dresden in what is now East Germany, he was a Communist Party member in his early years, worked all over Europe including Moscow—and was finally converted to the Church while in prison. He knows all too well what dictatorship means—whether Left or Right.

HERBERT WEHNER

Parliamentary floorleader of the SPD
Born July 11, 1906
1966 Minister for Inner-German Affairs
1969 SPD floorleader

Second, he is said to feel personally and deeply the burden placed on the Germans by the Nazi crimes—against the Poles and Russians above all. Hence his passionate concern for further development of the "Ostpolitik" as a moral necessity as well as a desirable political strategy. That means, for him, that the SPD must remain in power and that implies that, despite failing health, he will fight to prevent a major split at the SPD conference next April in Munich.

J.C.

Franz Josef Strauss

Chairman of the Christian Social Union (CSU)
Born September 6, 1915
1953 Minister for Special Tasks
1955 Minister for Atomic Affairs
1956 Defence Minister
1961 First elected CSU chairman
1966 Finance Minister

REMEMBER Franz Josef Strauss? The thick-set Bavarian with bulging neck and waistline, the politician who for the past 12 years has told Germany that the governing coalition was doomed to collapse under the weight of its own contradictions; the amateur cycling champion who once declared that he would rather grow pineapples in Alaska than be Chancellor?

If events had gone according to plan last year, Herr Strauss would despite his Alaska pledge, now be Chancellor Strauss, shaking hands with President Reagan and, with a shade less glee, President Brezhnev. Herr Strauss, the 67-year-old self-appointed scourge of socialism and all its works, was the opposition's candidate for the Chancellery in the 1980 elections, the man chosen by the Christian Democrats and their Bavarian sister party, the CSU, to oust Helmut Schmidt from the leadership of West Germany.

Herr Strauss failed. After the election, there were few open recriminations—that is not the way of German Christian democracy. Instead, Herr Strauss withdrew to Bavaria, his traditional power base, to resume his job as prime minister of the southern state.

Was this the end of Herr Strauss and of a career that has included spells as Defence and Finance Minister, one of the most talented men in the opposition who was a king-maker and king-breaker?

Three factors could persuade Herr Strauss to stage a comeback. First, the current leader of the CDU, Herr Helmut Kohl, has missed some key opportunities to capitalise on the dissent in the ruling Social Democrat (SPD)-Free Democrat (FDP) coalition. Herr Kohl appears to be waiting until the 1984 elections and trying to shape the party so that it seems more attractive to the liberal FDP. Their defection from the coalition would then clinch victory.

But this tactic is a slow, unexciting one. The result is that Herr Kohl looks clumsy and ineffective while Herr Gerhard Stoltenberg, the CDU premier of Schleswig Holstein, seems positively dynamic by comparison. Herr Stoltenberg was favoured by Herr Strauss in the run-up to the 1980 election and so, by virtue of the almost oriental code of political *quid pro quo* in Germany, any advance made by Herr Stoltenberg is a step towards the rehabilitation of Herr Strauss.

The second point follows on from the first. Herr Kohl's failures to launch convincing attacks in the Bundestag, the Lower House, has shifted some of the *spotlight* onto the Bundesrat, the Upper House, in which the Laender states are represented and where the CDU has a majority. As Bavarian premier, Herr Strauss sits in the Bundesrat and can make his voice heard.

Finally, Herr Strauss retains the weapon that has allowed him to hold sway in the opposition for so long, the control of the 52 CSU deputies out of the 226 total opposition seats. A future Chancellor candidate of the CDU thus has to woo Herr Strauss, for a split in the opposition ranks would be an electoral disaster.

But a number of qualifications have to be made. The CDU would be unlikely to put forward Herr Strauss as the prime challenger to Helmut Schmidt again, above all because the FDP probably would not change partners to enter a Strauss-led government. Herr Strauss will have to play second fiddle, perhaps as a senior minister under a Chancellor Stoltenberg.

After so many years out of federal government, Herr Strauss may prove to be more of a liability than a gain for a staid CDU leadership trying to prove that it is a serious alternative to Chancellor Schmidt's coalition. But Alaska can breathe easy, Herr Strauss has no intention of cultivating pineapples in the tundra—he is still a man to be reckoned with in German politics.

R.B.

Helmut Kohl

Chairman of the Christian Democrat Union (CDU)
Born April 3, 1930
1969-1976 Prime Minister of the state Rhineland Palatinate
1973 First election as CDU chairman

NOBODY, NOT even his worst enemy (and there is some competition for the title), could accuse Helmut Kohl of being a visionary or a brilliant orator. The Christian Democrats distrust such qualities and Herr Kohl, the party leader, has made doubly sure of his position by suppressing any talent he might have had for lucid exposition or analysis.

Instead, he has specialised in cautious step-by-step leadership, wearing an air of solid reproach, like a provincial bank manager who finds himself in a metropolitan casino.

Take the party congress in Mannheim earlier this year, the first after the CDU's worst electoral defeat since the war. Any other party would have indulged in an orgy of self-recrimination, sought out the guilty men, and then devised a formula for over-throwing the government next time round.

Herr Kohl, however, made a keynote speech, lasting almost three hours, which rambled from one criticism of the Social Democrats to another. Although it received stormy applause, the clapping was preceded by a minute of uncertain silence because the delegates could not decide whether Herr Kohl had finished or not.

Herr Kohl's appeal is to voters rather than to the parliamentary party. In 1976 he managed to lead the CDU to a near-victory, winning a formidable 48.6 per cent of the vote. As Prime Minister of the state of Rhineland Palatinate, while only in his late 30s, he managed to prod the traditionally-entrenched conservative population, towards a more liberal form of conservatism, carrying through a successful school reform.

All of this counts for something, of course. But after the 1976 defeat opposition to him grew within the parliamentary party. The CDU is a broad "catch-all" of interests, which includes among its voters, farmers, small businessmen, a fair sprinkling of trade unionists, and a high proportion of women, Catholics and millionaires. The party thus needs a uniting figure or at least one with sufficient inspired leadership to make the social rifts irrelevant.

In 1979, Herr Kohl tacitly recognised he was not that man. He decided, after some persuasion, that another challenger to Helmut Schmidt should be found. He favoured Herr Ernst Albrecht, premier of Lower Saxony and another liberal conservative—but the parliamentary party, on the search for that ever-elusive inspiration, settled on the garrulous, combative figure of Franz Josef Strauss, the leader of the CDU's Bavarian affiliate.

The choice was a snub to Herr Kohl; for it was a recognition that *Herr Strauss* and *not* Herr Kohl was the dominant force in the opposition.

The net result of Herr Kohl's failings is a shift in the balance of power from the parliamentary party to the provincial premiers in the Bundesrat, the Upper House. The party now listens intently to voices such as those of Herr Gerhard Stoltenberg, Premier of Schleswig Holstein, Herr Albrecht and Herr Lothar Spaeth, Premier of Baden-Wuerttemberg.

These men pressed German television to broadcast the Bundesrat debate *on the budget* and sure enough the criticism of the Bonn Government was far, far more effective than that deployed by Herr Kohl.

R.B.

Hans Dietrich Genscher

Vice-chancellor, Foreign Minister and chairman of the Free Democrat Party (FDP)
Born March 21, 1927
1969 Minister for Internal Affairs
1974 Foreign Minister, and first election as FDP chairman

FOR A MAN with a record *of poor health, Hans Dietrich* Genscher has remarkable energy. For a political leader whose party commands only 10 per cent of the vote, he has remarkable power. Herr Genscher, German Foreign Minister and chairman of the Free Democrats, has a gift for turning weakness into strength, for exploiting the moment and he provides, quite simply, the best balancing act in town.

Various personal explanations have been put forward *for* Herr Genscher's party political success—his work drive has been ascribed to a *three-year bout of* tuberculosis in his 20s, teaching him the value of squeezing every last drop from the working day. His liberal convictions have been attributed to early, unpleasant experiences in East Germany (he left in 1952, at the age of 25). His personal popularity in the *country is partly the* natural birthright of the leader of a small party—Walter Scheel *before him was also widely* liked—for a clever FDP chairman can present himself as sharing in the responsibility for all of the Government's good initiatives and distancing himself from all *its unpopular actions.*

Herr Genscher adds to this birthright the quality of good timing. In television discussions, this means that he often stays quiet, waiting for *dissension to emerge between* the representatives of the two large parties. Then, rather than assume a partisan position, he will come in with a gust of cool and calm reasoning, appealing in his husky voice to millions of televiewing German mothers.

He has timing too in moments of political crisis. He was Interior Minister in 1972 (after only seven years in parliament) when Arab terrorists kidnapped and then murdered Israeli athletes at the Munich Olympics. Herr Genscher did not hesitate long before offering himself as a substitute for the Israeli hostages—an act which stays etched in the memory long after the bureaucratic blunders surrounding the incident have been forgotten.

The fatal flaw of pragmatic politicians, too often, is that they hesitate too long before making decisions while waiting *to see* which alternative will carry the necessary support. Herr Genscher is spared this *problem* because his party is so small that he can manage and manipulate those opposed to his line. But such a role gives Herr Genscher not only great power but also great vulnerability.

First, the power. It is safe to assume that neither of the large parties can hope to win an absolute majority in the next elections. The opposition Christian Democrats have *come closest to* this goal but they would need a truly huge swing to achieve it in 1984. As a result, it is the Free Democratic Party, the small third party, that has the power to decide with which of the big brothers it should form a government.

The uncertainty this produces among the large parties has resulted in considerable concessions. The FDP has 10.6 per cent of the vote yet has four Cabinet Ministers—indeed four of the most powerful: Foreign, Economics, Interior and Agriculture. Herr Genscher understands this kind of power—it *is, more precisely, a combination* of influence and coercion.

His relations with Chancellor Schmidt are good though not exactly warm, and together they have been able *to keep Bonn's policies* within the pragmatic centre.

So much for influence. But Herr Genscher is not above coercing solutions within the coalition. Compromises on workers' co-determination, on government subsidy, on public spending cuts may represent (as the FDP chooses to present it) a wonderful capacity for conciliation by the party. But such issues also demonstrate the veto right of the party.

Count Otto Lambsdorff, the Economics Minister, has in particular considerable weight in the Cabinet. Measures smacking of increased state control or interventionism rarely (one of the few exceptions is the new limited subsidy programme for the steel industry) slip past the Wirtschaftsgraf or Herr Genscher.

This political clout—within the SPD-FDP coalition *and within the FDP itself*—has been a constant element over the past six years, but if anything it has increased dramatically during the last 12 months.

There are four main reasons for this. First, the SPD and FDP fought on a joint Schmidt-Genscher plat*form for the first time, giving* the impression that there was a parity between the two leaders. Second, the Left-wing component in the SPD—especially the tougher ideo*logical faction*—was strengthened in the new Bundestag intake in October 1980. This created friction between the coalition parties, but has also given Herr Genscher more standing as a symbol of moderation in the Government.

Third, Herr Schmidt, partly because of illness and exhaustion, partly because of the problems in the SPD, and partly because of the problems in the SPD, and partly because of changed international circumstances, started off the legislative year in poor shape. Herr Genscher profited from the absence, used his Foreign Minister role to take on the statesman's mantle temporarily shed by Herr Schmidt.

The Chancellor is back on form but the currency gained by Herr Genscher during that period has not disappeared. Finally, the CDU scents a *change in their fortunes* now that Herr Franz Joseph Strauss is not playing such a dominant role.

The Christian Democrats, as a result, are cultivating a more liberal image in the hope of wooing the FDP away from the coalition. This too gives Herr Genscher more *clout: it makes everybody try* a little harder to please the FDP.

The fact is, the FDP's real power is in threatening to divorce its spouse rather than going through with the whole messy business. The FDP has been in coalition with the SPD for 12 years and while that may have exhausted both parties, it has also shifted the base of the party from Right to Left.

At the latest FDP party congress, for example, almost a third of the delegates voted against the stationing of America's Cruise missiles in Germany — although Herr Genscher had already stressed that he would resign if the party voted against the missiles.

Even the FDP's Left concedes that there is no immediate alternative to Herr Genscher as party leader, but there are rumblings of dis*content about the way the* party leadership is casting sly glances at the CDU.

R.B.

Hope growing that an end to the squeeze is in sight

"IT IS our third consecutive year of famine" was how one Frankfurt banker sought to explain the unaccustomed mood of retrenchment and caution which is gripping the Federal Republic's banking industry.

Grimly he conceded that his institution had more or less pulled out of the international syndicated Euroloan market where lending margins are too low and risks too high, concentrating on international business instead of shorter term export financing and lending business. Even domestically the bank is being highly selective in its lending, anxiously watching its loans in troubled sectors of German industry such as steel and monitoring profitability with great care.

Such attitudes and policies are the rule, not the exception, among German banks. Only in the past few weeks, as long-term interest rates have begun to fall, the D-Mark strengthen against the dollar and confidence begun to grow that the Bundesbank is finally on the brink of easing its monetary policy, that the banking industry has begun to suspect that the painful experiences of the past two-and-a-half years are coming to an end.

The atmosphere in the German banks' boardrooms today marks an abrupt change of mood compared with the two previous decades when German banks were gaily exploiting every possible avenue at home and abroad in their efforts to expand the volume of their business, and, it was assumed, their profitability.

It is the realisation in the past 18 months that the twin goals of growth and profitability could collide and endanger a bank's long-term future which accounts for the more conservative business policies now being followed. Asset growth of course has not been abandoned, although many banks have had to accept that the erosion of their capital position has severely limited prospective growth rates. But in all areas of business the issue of the quality of the loans and investments being made and the profit margins likely to be earned has become the primary concern.

The change of mood can be traced directly back to the banks' profit experience in the past two years—although, as we shall see, other factors have also played a role. In 1979 and 1980, however, the profits of the German banking industry plunged. In the case of the big three commercial banks they fell in 1980 to the lowest level since 1973—and this despite the extraordinary success of Deutsche Bank, the industry leader, which was the only leading bank to come through the year with a strong earnings gain.

The problems of individual banks such as Commerzbank, Westdeutsche Landesbank and Dresdner Bank, each of which reported heavy profit declines for 1980 and in the first two cases paid no dividends, have made the headlines. But as the Bundesbank, the West German central bank, makes clear in its report on the industry's performance as a whole, profitability slumped in most of the major sectors of the industry including the commercial, savings and Landesbanks. Only the rapidly growing credit co-operatives among the largest banking groups bucked the trend.

A range of factors hit bank profits last year, some of which have been threatening to make the banks' performance in 1981 just as difficult.

According to the Bundesbank, whose report on bank profits is based on the accounts the German parent companies must submit and therefore does not take account of the problems some banks have had in their Luxembourg and New York offshoots, the industry wrote off some DM 2.5bn from securities portfolios last year. That sum had to go through the profit and loss accounts and therefore affected capital ratios.

Many banks continued too to be burdened with long-term loans made when interest rates were much lower than today but financed with short-term funds raised at current rates. Staff costs also rose sharply in 1980. Despite efforts being made to economise on staff, costs increased by just over 10 per cent (DM 23bn) in the industry as a whole.

The emphasis on lending shorter term to private customers coupled with decisions to push up lending rates more aggressively—but not rates on savings accounts—has moved practically to offset other factors tending to squeeze the profitability of the banks' lending. Nevertheless the banks' net interest received as a percentage of average business volume declined in 1980 for the fifth consecutive year.

While the decline in the profitability of German banks has been the immediate cause of the shift in business policy in the direction of greater concentration on profitability rather than asset growth, a number of other factors have also hastened the implementation of a more conservative strategy. In the first place, the weakened international position of the German economy and domestic inflation have made German bankers much more conscious of the increased risks

Banking

STEWART FLEMING

attached to the business of banking in a world of, at present, unstable but interdependent financial markets.

The recognition that the German domestic economy can no longer be counted upon to remain an island of stability in a troubled world has, coupled with declining corporate profits, helped to make the bankers more cautious at home. Events in Iran—and above all the upheavals in Poland, where German bankers are among the most heavily committed—have made them more sensitive to the risks in international business.

Poland has convinced the German bankers that the comfortable "umbrella" theory, according to which lending to East bloc countries was assumed to be relatively free from political risk because the Soviet Union would never allow one of its satellites to default, has had to be scrapped. But once the German banker begins to look at the creditworthiness of *individual East bloc countries* such as Romania, Yugoslavia and even East Germany, the risks associated with such lending take on a new dimension. But there is recognition too that the German banks are playing a vital national role financing exports of thei rGerman corporate customers to East bloc countries.

The fact that such trade is also a vehicle through which bilateral diplomatic relationships can be *strengthened* is another factor that has in the past encouraged the banks in their financing of Germany's eastern neighbours. As the head of the foreign department of one German bank remarked recently on the origins of the banking industry's heavy involvement in Poland: "When we were making those loans it was not only good business for us and our German customers, it supported the Government's foreign policy and it was morally right in the light of the destruction we caused in Poland in World War II. There were compelling reasons."

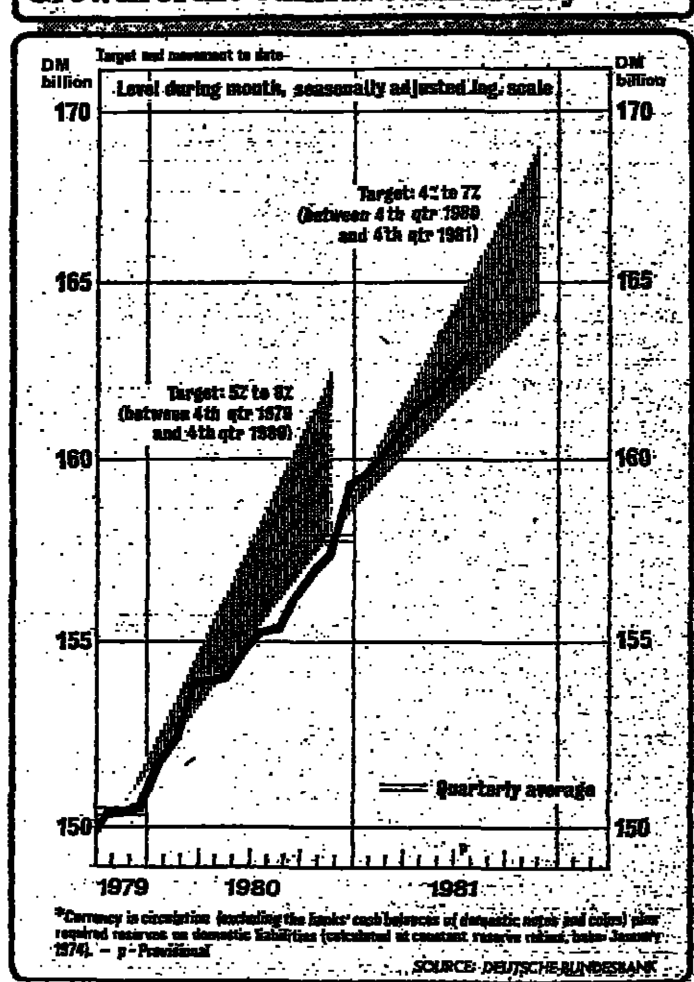
Today such arguments have to be balanced against the banks' own concerns about international business risks and their own profitability, another reason why there is a growing emphasis on shorter term, and export related credits, coupled with the much closer analysis of the creditworthiness of the individual borrower.

The German banks' caution has been further reinforced by expectations that a reform in German banking law would lead to the imposition on them of a requirement to consolidate their accounts and apply German capital ratios to off-shore subsidiaries in places like Luxembourg. This prospect has been put off into the future now and instead a voluntary agreement is being prepared, the terms of which are still being worked out. But even this is expected to add to the longer term pressures towards stronger capital backing for a given volume of business.

At home the banking industry is also facing the prospect of rapid and possibly expensive change. The banks are looking much more closely at the profitability of their retail business, particularly as it is likely to be affected by the application of electronic banking technology. They are facing questions relating to the pace at which they bring in new technology and the choices of which technology to adopt. The private banks, savings banks and co-operative *banks have set up a joint company* to look at these issues—a company which faces the difficult problem of balancing the likely capital costs and administrative savings against the competitive pressures of the individual banking groups.

If, as now seems likely, the pressures on the banking industry, at least in the domestic market, begin to ease the hard lessons which have been learnt over the past two years are likely to pay dividends in the future. For German bankers will be emerging from their travails wiser men and their institutions will be better prepared to cope with the problems which lie ahead.

Growth of the central bank money stock*



*Currency in circulation (excluding the banks' cash balances of domestic notes and coins) plus required reserves on domestic liabilities (calculated at constant reserve ratios, base January 1974). – p–Provisional

SOURCE: DEUTSCHE BUNDESBANK

Pressure to shift course

AFTER TWO years during which the Bundesbank, the West German Central Bank, has stuck steadfastly to a high interest rate policy aimed at fighting inflation and supporting the D-Mark on the foreign exchanges, *it now faces the difficult task of* relaxing its tight monetary regime to try to stimulate investment and economic growth without fuelling inflation.

In a perfect world the Central Bank might prefer to keep its monetary reigns tight a little longer. And it may well be that to begin with some of the moves it will make will have more of a cosmetic than a practical value, aimed at impressing its political critics rather than abruptly changing the course of monetary policy.

But with unemployment in West Germany rising inexorably to new post-war peaks amid preliminary signs that some of the problems which have beset the German economy since 1979 are slowly being overcome, the Bank can scarcely overlook the danger that if it does not shift course even those who have supported its unpopular policies of the past two years will begin to express doubts.

A year ago there were hopes that with the economy slowing down, the Central Bank would begin to ease its monetary policy and allow interest rates to fall from around the prevailing 9 per cent level. Instead, accelerating inflation, a growing current account deficit and the plunge of the D-mark on the foreign exchanges, forced the Bank reluctantly to tighten its monetary policy.

In February this year; with the D-mark down DM 2.25 against the dollar and uncharacteristically weak within the European Monetary System, the Central Bank boldly and dramatically drove German inter interest rates sharply higher—abandoning its Lombard system of supplying credit to the banks and instead introducing a "special *Lombard*" rate of 12 per cent, three percentage points higher. Subsequently German interest rates across all maturities surged to—for the Federal Republic—record highs.

Such action, taken when the economy was already weakening, undoubtedly *has made the* present economic slump worse, with high interest rates hitting the consumer and construction sectors in particular, and some signs that investment has also begun to suffer.

Although the moves in February by the Central Bank quickly restored the D-mark to its traditional position at the top of the EMS, it remained weak against the dollar *throughout the summer*, slumping to DM 2.58 in August (a five-year low) amid accusations that the Central Bank's policy was a gigantic mistake. It was claimed that not only was it threatening the domestic economy, it was also ineffective in supporting the currency against the dollar.

However, such charges overlooked the improvement which was taking place in the capital accounts of the balance of payments and the impact which the domestic slowdown was having in curbing imports.

But by September the Central Bank itself was already beginning to look ahead to try to formulate a strategy aimed at easing monetary policy recognising that a monetary squeeze would in the end endanger the investment needed to help Germany become more competitive.

Throughout this period, the Central Bank's critics have maintained their customary attack on the "hardliners" in Frankfurt who, it is claimed, are far too doctrinaire in their monetary orthodoxy. But Herr Karl Otto Poehl, who took office as Bundesbank President just as the storm was breaking at the beginning of 1979, is a prag-

Central Bank

STEWART FLEMING

matist with political experience in Bonn which makes him particularly sensitive to the shifting political currents.

So he is well aware that given the current political constellation in Bonn and the state of the economy, the Government has gone as far as it can towards curbing its Budget and that an economic upswing is likely to make a bigger contribution to reducing the Government deficit than more bickering behind closed doors in Bonn.

Other dangers are also pressing the Bundesbank as it tries to ease its monetary policy. The economy has shouldered the burden of high interest rates for a protracted period now and there are signs that important sectors are beginning to wilt under the strain. Bankruptcies have soared this year, particularly in the construction industry; the retail sector is under heavy pressure; and the vital banking industry faces its third consecutive year of declining profits.

The risks on the domestic front of pushing its restrictive monetary policy further are, more and more, looking greater than the risks of relaxing. This is especially true *too in relation* to the labour market. Rising unemployment and declining real incomes on the one hand and squeezed corporate profits on the other are threatening to poison the atmosphere of the forthcoming wage round.

There is already sufficient evidence of political alienation among sectors of German youth to raise concern about the impact of a further slump in the economy on youth unemployment. The Germans have no stomach, nor do they see the need, for the sort of economic *experimentation* which the British and American Governments have undertaken.

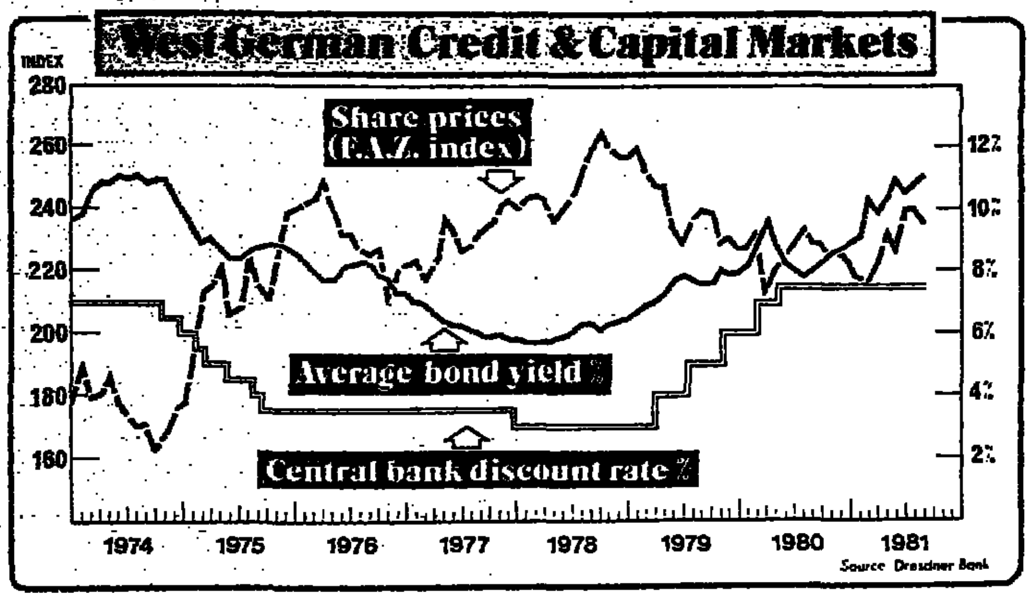
With tentative signs that the current account deficit has begun to decline, and the seasonally favourable fourth quarter balance of payments now approaching, perhaps the biggest danger for the Central Bank in easing monetary policy lies in the area of inflation, which has again accelerated and is now running at an annual rate of 6½ per cent.

However, through revaluation of the D-mark in the European Monetary System and the beneficial repercussions this appears to be having on the D-mark/dollar rate, the Bank has reinforced the prospects that imported inflation will diminish steadily as an economic problem in the next few months. If, as it can now hope, this leads to an improvement in the inflation figures by, at the latest, early next year, then not only will this justify the risks *being taken* in easing monetary policy. It will also pave the way towards a more moderate and less painful wage round than might otherwise be expected.

There are, of course, innumerable, unpredictable elements which can upset the Central Bank's *strategy*. But the Bundesbank has grounds for hoping now that the policy it has grimly stuck to under Herr Poehl is finally paying off.

Pressing need for jobs and housing

The Kurfuerstendamm, West Berlin. The city retains its status as a glamorous oasis of the West but also has the mundane problems common to other big cities



FIFTY THOUSAND West Berliners protesting against the presence of an American Secretary of State would have been unthinkable 20 years ago. When it happened to Mr Alexander Haig, U.S. Secretary of State, last month he said it was proof of the "strength of democracy in this part of Berlin." Herr Peter Glotz, chairman of the Social Democrats in West Germany and West Berlin noted succinctly that although he deplored the demonstration it was after all the "Americans who first taught us how to demonstrate."

The vast majority of West Berliners condemned the protests because they are in no mood to jeopardise the protection the three Western Allies give this city situated in the middle of East Germany. It is perhaps because the protesters take the Allied guarantee for West Berlin for granted that they can demonstrate so easily.

Last month was also the anniversary of a 10 year-old miracle, the Four Power Agreement on Berlin. *It has managed to stave* off any real threat of a Berlin crisis although only 80 kilometres to the east, the Polish upheaval continues unabated. Even ingrained optimists had not dared to hope that West Berlin could remain immune from an event which has caused the East German leadership to batten down its hatches on all sides.

The Berlin Accord governs traffic over the East German access routes between West Berlin and West Germany and guarantees the right to West Berliners to visit East Berlin and East Germany. Its effectiveness lies in the motives of the signatories, the three Western Allies and the Soviet Union.

The U.S., Britain and France were anxious to defuse the Berlin situation even at the price of a subsequent recognition of East Germany. Former Chancellor Willy Brandt's Ostpolitik was gathering momentum which aimed at recognising the GDR as a separate German state in order to permit contacts between East and West Germans.

Moscow too was anxious to rid itself of the Berlin tinderbox and to gain recognition for its client state, East Germany, while retaining the Berlin lever under its control. The Berlin Agreement gave the Soviet Union its treaty with West Germany, *opening a new era* in relations and bringing a surge in trade between the two traditional economic partners. As long as West Germany did not return to the Cold War then the Soviet Union was willing to respect the Berlin Agreement, a cornerstone of Ostpolitik.

Recently, the man who signed the Berlin Accord for the Soviet side, Ambassador Piotr Abrassimov, who remains Moscow's proconsul in East Berlin, reminded the West that the Soviet Union and its allies have sufficient means at their disposal to retaliate against "provocative steps by Nato which are instigated from across the Atlantic." There is little doubt that if Moscow decided to intervene with military means in Poland and the West *responded with the expected* tough countermeasures, the Soviets would again put heavy pressure on Berlin.

However, West Berlin's main problem today is not dealing with political crises but with the mundane concerns common to most other large cities. This is not to say that its relations with surrounding East Germany are congenial. In a panic reaction following the upheaval in Poland, East Germany drastically increased the amount of money West Berliners and West Germans must exchange when entering the East, which has led to a 50 per cent drop in visits to their relations and friends.

West Berlin's Governing Mayor, Richard von Weizsäcker,

Berlin

LESLIE COLITT

says this hits at the heart of the Berlin Agreement and Chancellor Helmut Schmidt's Government in Bonn has pledged to do its utmost to get East Germany to lower the entrance charge.

Bonn will provide DM 10.2bn towards Berlin's 1982 budget of DM 19bn but, for the first time in many years, the government in its budget-slashing mood sliced a few items off the generous benefits West Berlin *will get next year to maintain its* competitiveness. The DM 7bn Bonn provides annually to attract investments to West Berlin will be marginally lowered by reducing the benefits to West German buyers of Berlin-made products. In the future, they will not be able to deduct 4.2 per cent from the value added tax they pay but 3.5 per cent instead. All the other lucrative tax benefits and subsidies which have kept so many West German companies operating in West Berlin remain untouched.

West Berlin's other problems, although no worse than in other cities, tend to be magnified inside Germany because of the attention the city commands in the West German media. Ordinary urban problems take on a political colouration in the city because of its exposed location 110 miles inside East Germany and its "showcase of the West" reputation.

The presence in the city of some 60,000 students, many of a Left-of-centre political outlook, adds to the politisation of life in the city. It is this which has made West Berlin so attractive to young West Germans seeking an alternative lifestyle and who at the same time may not want to be drafted into the West German Army.

Recent problems with the city's squatters took on the aspects of an ideological holy war between the city government and *the young occupiers*. Housing is inadequate in West Berlin but no more so than in cities from Moscow to Paris. Ironically, in West Berlin it is mainly the 120,000 Turkish Gastarbeiter (guest workers) who live in substandard housing but it is German students who condemn the capitalist system and all its evils.

Last month the eviction of squatters from a Berlin tenement building took an ugly turn when one of the "occupiers," an unemployed young West German, was run over by a city bus. His death, at first attributed to the police action, provoked riots in West Berlin and several West German cities.

Trying to integrate Berlin's Turkish workers will remain the city's most pressing task as the authorities concentrate on pro*viding better education for their* children, and better housing. Education is an enormous problem as experience has shown that as soon as there is a handful of Turkish children in a class they learn German far more slowly than when there are only one or two. However, since some schools in the Kreuzberg district have more than 50 per cent Turkish children, this goal becomes an illusion.

Housing is a major problem because of absentee landlords and because many Turkish families refuse to move into new apartments financed with city aid. Rather than pay higher rents, Turkish families remit an enormous portion of their income back to Turkey where the money supports entire villages and is a major source of foreign exchange for the government.

The West Berlin Chamber of Commerce says 20,000 jobs will have to be created in the next few years if the city is to support a population of 1.8m. Until now, too many administrative jobs have been made by the city, which employs every third West Berliner.

The western airlines serving West Berlin, which provide the only uncontrolled access to the West, are currently taking a beating on all fronts. Traffic has declined to the low level of two years ago for British Airways and Pan American on their inner-German services which normally return a healthy profit to the parent companies. Berlin's three British charter carriers, Dan Air, Laker and Monarch and Air Berlin USA, are reeling from rockbottom prices to Greece and Turkey being offered to West Berlin tour operators by East European airlines and Turkish Airlines operating from East Berlin's Schonefeld Airport.

The charter carriers argue that if the city does not want a great deal more traffic to desert West Berlin's Tegel Airport it will have to give them financial relief just as the West German Government provides a subsidy for scheduled flights between West Germany and West Berlin.

Swings catch out many investors

THE PAST year has been full of bitter disappointments for investors in West German securities who had become accustomed to buying Mark denominated paper in the confident belief that it would provide them with a smooth passage across the turbulent waters of today's world financial markets.

West German interest rates, mirroring in part conditions in the dollar markets, have been no less volatile than those in most of the world's leading financial centres. And foreign investors in Germany have also had to cope with big swings in the value of the German Mark in terms of major currencies such as the U.S. dollar, the pound and the yen.

For domestic institutional investors too, particularly German banks, developments over the past year have been particularly painful. The Bundesbank, in a recent report on bank profits, estimated that in 1980 banks had to write off some DM 2.5bn on their securities portfolios after having already written off DM 3bn in 1979.

These massive write-offs, a large part of which were attributable to fixed-interest securities issued by the Government, have been one of the biggest problems affecting the banking industry because in most cases the losses were taken through the profit and loss accounts. Many banks turned to what the Bundesbank described as "profit management"—drawing on hidden reserves to mask the impact of these losses.

The striking feature of the bond losses of 1979 and 1980 in comparison with development so far in 1981 was that they occurred in a period when long term interest rates increased by 1½ percentage points and 1 percentage point respectively. Between January and August of this year average yields on fixed interest securities rose by over 2 percentage points, implying even heavier securities losses for investors.

Moreover, the swings in the market, particularly at the end of 1980 and the beginning of 1981 caught many investors by surprise. In August last year,

Stock Market

STEWART FLEMING

as yields fell to just under 8 per cent investors were taking positions in expectation of further declines in interest rates. But rising inflation and a weakening Mark dashed these hopes and by the end of the year yields were up again to around 9.1 per cent.

The abrupt shift in monetary policy by the Central Bank in February which sent short-term interest rates surging by around 3 percentage points drove bond yields to record highs of 11 per cent in May, and by August gathering gloom about the growing Government budget deficit and a renewed plunge in the Mark hit the bond market again, driving yields to new post-war peaks of 11.5 per cent.

The steady rise in interest rates and the erosion of confidence in the markets drove both investors and borrowers to the shorter end of the market, where yields on one-year paper hit 13 per cent.

The rally which took place in September and early October has thus come as a considerable relief to investors and borrowers alike, and particularly to the banks, which can now hope that their bond losses by the end of the year will be considerably less than had been expected earlier and who may therefore be able to take a more relaxed view of some of their other credit risks.

Both domestic and international developments have fuelled the rally. Growing doubts about U.S. economic policy have helped to make the Mark a more attractive haven for international funds, especially since the Government has begun to tackle the question of controlling its spending more vigorously. The signs of an improvement in the German current account (in spite of poor August trade figures) and the hopes that a stronger D-mark will curb imported inflation, have all contributed to the rally in the fixed interest markets.

So far, however, the equity market, which hit a year's high in July partly as a result of foreign buying of German shares has not followed the bond market rally. Partly under the influence of Wall Street's September slump, German share prices were also down around 9 per cent from their summer peak at the beginning of October, although a firmer tone has set in subsequently.

A continuing improvement in Germany's external position coupled with signs that the long awaited easing of German monetary policy is underway should help German share prices to rally too however, especially if the D-Mark retains its current strength and expectations that inflation will begin to subside materialise.

GERMAN EQUITY MARKET

	End-1979	End-1980	Per cent change	October 8 1981	% change 1981
1—Market indices					
Commerzbank	715.70	683.68	− 4.5	696.3	+ 2.0
FAZ	227.27	220.62	− 2.9	227.16	+ 3.0
2—Sector indices (source: Borsenzeitung)					
Big chemicals	89.50	79.50	−11.2	90.2	+13.4
Other chemicals	84.70	92.70	+ 9.4	99.5	+ 7.3
Electricals	84.10	85.10	+ 1.2	75.6	−11.2
Utilities	130.30	117.80	− 9.6	118.0	—
Iron and steel	69.40	52.40	−24.5	49.6	− 5.3
Machinery	96.60	91.20	− 5.6	103.0	+12.9
Motors	92.70	91.20	− 1.6	104.1	+14.1
Building	112.30	131.90	+17.5	173.3	+31.4
Department stores	62.30	55.20	−11.4	52.8	− 4.3
Banks	82.80	80.00	− 3.4	73.7	− 7.9
Insurance	126.40	140.40	+11.1	132.7	− 5.2
Consumer goods	78.00	70.40	− 9.7	61.3	−12.4

The fall of the D-mark until mid-year made West German industrial goods more price-competitive abroad, and several key sectors have enjoyed an export boom. But the home market has been depressed and, despite growing unemployment, skilled workers are in short supply.

Upturn in orders as the D-mark falls

RARELY HAS Dr Wilhelm Scheider, executive chairman of Krupp, had more positive results to report. He said recently that in the group's mechanical engineering division sales in the first five months of this year (including industrial plant-making) were up by nearly one third against the same period of 1980, and the orders intake had actually doubled.

The main reason? Sharply increased demand from abroad, stimulated above all by the fall in the D-mark since 1979, which had made the group's exports more price-competitive.

The Krupp figures were among the most dramatic this year—but other mechanical engineering concerns were reporting an upturn in orders too, and for the same reason. It seemed that foreign countries—the oil-producing states above all—had suddenly concluded that West German plant and machinery was not only reliable (this had not been in doubt) but relatively inexpensive.

"Mechanical engineering—the branch of the future," was the title of one recent symposium on this the biggest sector of German industry in employment and turnover terms. This year's foreign orders seemed to suggest that the optimism was not misplaced.

To put this in perspective, it must be stressed that the industry would have been in a sorry state indeed had it not been for this boom in foreign demand. Naturally some engineering sectors have been more buoyant than others. It can hardly be otherwise in a branch which covers a broad range of products from plant and building machinery to machine tools and office equipment. But with Germany's GNP contracting in real terms (after inflation) for the first time since 1975, the mechanical engineering industry on the whole has had to cope with a miserably weak domestic market.

In the first six months, turnover rose by just 1 per cent in nominal terms (a real fall of 3 per cent) to DM 58.8bn ($25.3bn), while exports were up by a nominal 5 per cent to DM 32.2bn. Incoming orders rose by 5 per cent, based on a fall of 4 per cent at home and an increase of 12 per cent from abroad.

Thanks to the foreign boost, the number of those employed in the industry at mid-year was close to 1.1m—or about the same figure as in June, 1980. However, use of capacity was down to 84 per cent from 88 per cent a year earlier, and the number of employees on short-time work increased to 43,000 from just 3,000 before.

There are though fair prospects that the domestic economy will pick up next year (more than 1 per cent real growth in GNP is being widely forecast), while export demand remains buoyant. The immediate future thus looks quite encouraging—but what of the longer term? Does German engineering have the strength and flexibility in the 1980s to cope with its competitors—in particular the Japanese, who have markedly increased their share of the world market over the past decade?

Engineering

JONATHAN CARR

Herr Heinrich Weiss, chairman of Schloemann-Siemag, a major plant-building enterprise, seems to have little doubt of it. He gives five main reasons: a qualified and highly-motivated labour force especially in the smaller and medium-sized companies which are typical of the German engineering sector; linked to that, a potential for technical innovation which remains high; a good infrastructure; a firm reputation for reliability, both in workmanship and delivery schedules; and, last but not least, a relatively peaceful social climate.

Herr Weiss's point about the size of the German engineering enterprise is well worth underlining. Many people tend to identify the branch with the giants—such as Krupp, or Gutehoffnungshuette (Europe's largest engineering group of which Schloemann-Siemag is one part).

But these are hardly typical: More than 90 per cent of the country's engineering enterprises, accounting for some 40 per cent of turnover, employ fewer than 500 workers each. These small- and medium-sized companies clearly are not able individually to match the research and development budgets of their bigger rivals. But they are often very agile at putting research results to practical work to gain sales success.

Further, they can often tailor their products quickly to suit customers' special requirements—an advantage paying off above all in the face of increasing and varied demands for energy-saving equipment and oil substitution.

But there are drawbacks too—some more apparent than ever this year. One is that German enterprises in general—and those in engineering in particular—have a relatively high level of borrowed funds by comparison with their American or British counterparts. Even the biggest companies with major financial resources have been severely tested over the past year or so, which has been marked by the unusual combination of high interest rates and economic downturn.

But many medium-sized concerns face an almost suffocating squeeze, having borrowed short in the expectation of falling interest rates which then failed to emerge. Prolonged pressure of this kind would force changes in the structure of the engineering sector, and undermine the flexibility which is one of its major strengths.

Quite apart from these money troubles at home, the Germans are also increasingly having to become "financial engineers" as well as "mechanical engineers" to pick up business abroad. The reason is that Bonn, unlike a number of other Western governments, does not subsidise interest rates for the financing of foreign commercial deals. Thus Krupp recently lost a DM 400m project in East Germany because its price was higher than that of the subsidised Japanese competition.

To counter this problem, many German companies seek to use subsidiaries to penetrate foreign countries from the inside, not just to sell goods locally but to take advantage of the better financing facilities available there. In just one recent case, the PHB Weserhuette group gained a contract from Indonesia, roughly 70 per cent of which is being carried out by one of the group's French offshoots.

By this means, cheap French financing is available about which the Germans can only dream at home. Without this advantage, the deal almost certainly would have been lost.

One final, but important, drawback is that while Germany's engineering workforce is indeed well trained and motivated, as Herr Weiss says, there is a grave lack of skilled labour—even with the present high level of unemployment. There is also evidence that engineering has been losing its drawing power as a career for young Germans in the past few years.

This of course could be a very serious portent. But it is worth recalling that in the recession of 1967 there were two applications for each engineering post available; two years later two jobs were on offer per applicant; and in 1972 a rough balance had been found between supply and demand. But three years on and there were again two applications for each job on offer.

In other words, there has long been cyclical fluctuation on the engineering labour market—and it would be rash to suggest that the country is now on an irreversible downward trend based on rejection of modern technology. The sector itself is anything but defeatist. One executive stressed how much he welcomed the Japanese challenge—since it encouraged other key German industrial sectors to invest more than they might otherwise have done, bringing fatter order books for the mechanical engineers.

MECHANICAL ENGINEERING-BASIC STATISTICS

	1970	1979	1980
Labour force (m)	1.2	1.1	1.1
Production (DMbn)	57.1	100.6	109.8
Turnover (DMbn)	60.9	110.8	121.9
Exports (DMbn)	26.7	56.4	63.1
(percentage of production)	46.8	56.0	57.5
Imports (DMbn)	8.6	19.1	22.4
(percentage of home supply)	22.1	30.1	32.4
Gross fixed asset investment (DMbn)	3.8	4.8	†5.6
(percentage of turnover)	5.8	4.1	4.3

† Preliminary figure. Source: Federal Statistical Office.

MECHANICAL ENGINEERING EXPORTS

World market share held by Germany, the U.S. and Japan (percentages)

	W. Germany	Japan	U.S.	Other Western countries
1970	24.0	6.3	25.8	43.9
1972	25.8	7.1	22.6	44.5
1974	26.2	8.3	23.4	42.1
1976	24.2	8.5	24.5	42.8
1978	23.5	11.6	21.8	43.1
1980†	21.9	10.6	23.8	43.7

† Preliminary figures.
Source: West German Mechanical Engineering Association.

A sharp rebuke for keeping prices down

ONE INCIDENT remains etched in the memories of the elder statesmen of the West German steel industry. In 1957 Chancellor Konrad Adenauer and Dr Ludwig Erhard, his Economics Minister, called in the steel barons to persuade them to keep prices down for the sake of the national economy.

This month the Bonn Government issued a sharp rebuke to the steel industry—for not radically increasing prices. Keeping prices down would, the Government argued, effectively maim the steel industry and indirectly damage the national economy, throwing thousands out of work and prompting fresh injections of state assistance.

Prices up, prices down. Thus the German Government, once a passionate supporter of free market principles in the steel sector, has suddenly decided to create a subsidy programme to shore up the industry during the sixth year of its structural crisis, the longest and most damaging of the post-war era.

The steel industrialists themselves have also abandoned their illusions this year. Once they were the sharpest critics of European cartels, import controls and subsidies. Now they are clamouring for even more state assistance from Bonn and are urging the Government to put border levies on steel imported from European competitors such as Britain and Italy.

There are four inter-related causes for this Road-to-Damascus conversion:

● Competition on the European market has become so distorted by government subsidies that the Germany industry can no longer rely on its fundamental efficiency and must seek protection if it is to survive. According to the West German Iron and Steel Federation, between DM 60bn and DM 70bn of government subsidies has been ploughed into Germany's European Community competitors. This allows them to keep prices artificially low and retain customers who would long since have defected, the Germans argue.

Steel

ROGER BOYES

But it also forces the relatively unsubsidised German industry to depress prices and thus run into severe cash flow problems. The received wisdom in the industry is that prices will have to go up on average by DM 190 per tonne of rolled steel if production is to return to profitability. This may be achieved by raising the price of rolled steel by DM 50 per tonne on November 1—instead of October 1 as first planned by the Community as a whole—and then by some DM 140 per tonne next January.

● But such price rises are meeting with resistance from steel consumers, especially the mechanical engineering sector. This was the cause of the one-month delay in the latest autumn round of price increases and the cause too of Bonn's impatience.

All the steel industry's key customers are being hit hard by recession and quite simply require less. There are a few large deals in the offing—the large gas pipeline from Siberia to West Europe, for example—which should give a temporary fillip to demand but on the whole major customers such as the motor and shipbuilding industries are still reporting a sales trough.

The steel industry is thus caught between two evils—raise prices and risk scaring away established customers (perhaps into the arms of the British, Belgians or Italians), or delay price increases and cause the weaker German producers to lose a vital infusion of revenue and endanger the already strained relations with their house banks.

● If it were just a matter of weathering out a short recession, then the steel makers might conceivably tighten their belts another notch and wait for the inevitable upturn. But all the signs suggest that long-term steel consumption habits are changing.

Westdeutsche Landesbank analysis shows that there are at least four factors depressing future demand, quite irrespective of the effects of recession. First, the high level of industrialisation achieved in traditional customers has "all but throttled demand for steel-intensive structures and infrastructure installations." Second, investement funds are being absorbed increasingly by low-steel consuming sectors such as the electrical equipment sector.

Third, machinery and equipment are becoming increasingly smaller and more compact, thanks partly to the introduction of micro-electronic devices. Finally, technological progress is gradually edging out the

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Strong export performance offsets weak home demand

THE West German chemicals industry is showing a surprising resilience in the midst of Germany's industrial recession. Certainly in the domestic market it has been hit by the weakness of its major customer industries, particularly the building, motor and textile sectors. But sales problems at home have been offset by an unexpectedly strong export performance, helped by the prolonged weakness of the D-Mark.

After the shock of the abrupt plunge in demand in the home market during the summer months last year, planners in the chemicals industry adopted an over-cautious tone in assessing prospects for 1981. Having set their sights correspondingly low to avoid further unpleasant surprises the industry has actually performed rather better than expected. The fall of 4.3 per cent in West German chemicals production last year has not been repeated and buoyed by foreign sales the sector is now counting on a growth in output of a little under 1 per cent.

More than ever before, however, the industry is distinguished by widely differing performances in its various sectors. While products close to the consumer have held up quite well, and the industry has continued to make significant gains in some research-intensive sectors such as pharmaceuticals and agricultural chemicals, it has been hit by a sharp drop in demand and fierce price competition in areas of bulk production, particularly basic petrochemicals and commodity plastics.

Gross over-capacity in these areas has led producers into a state of destructive competition where volume sales are being sought at almost any price. While raw materials and energy costs have continued to rise steeply—first because of higher oil prices and then because of the weakness of the D-Mark—prices of products in areas such as commodity plastics have actually been falling, forcing almost the entire plastics sector deep into loss. Inevitably closure of plants is following. A lead has been taken by BASF, the biggest European plastics producer, which has closed 100,000 tonnes of low density polyethylene capacity at two sites, Antwerp in Belgium and Wesseling on the Rhine, and more cut-backs must be expected both from BASF and from other plastics producers.

Faced by inability to pass on fully rising energy and feedstock costs the profitability of the chemicals sector is inevitably still under heavy pressure. The biggest companies in the industry have been able to alleviate the squeeze on margins, however, by spreading their risks worldwide, and companies such as Bayer and Hoechst now derive more than two-thirds of their sales from markets outside West Germany.

With a weakening D-Mark the chemicals industry, already the world's biggest chemicals exporter, was well-placed to push for a further increase in exports this year. While its overall turnover rose by only 5.6 per cent in the first seven months of the year to DM 68.7bn, exports jumped by 11.6 per cent to DM 28.2bn. By contrast sales in the home market showed a nominal rise of only 1.7 per cent to DM 40.6bn.

The German chemicals industry includes three of the world's largest chemicals companies—Hoechst, Bayer and BASF—and their dominance in the world industry has helped ensure that the Federal Republic is by far the leading participant in the world chemicals trade.

In 1979, the last year for which figures are available, German chemicals exports totalled DM 43.9bn, putting the Federal Republic well ahead of its nearest rival, the U.S., with DM 33.5bn equivalent. West Germany's closest competitors in Western Europe—France, the Netherlands and the UK—all export less than half the volume achieved by the German chemicals sector.

The German presence in world chemicals trade is inevitably mirrored on the other side of the trade balance. The Federal Republic is also the world's largest chemicals importer, accounting for around 10 per cent of world chemicals imports, or DM 24.1bn in 1979, compared with French chemicals imports of DM 17.8bn and U.S. imports of DM 15.7bn. On the export side the West German chemicals sector accounts for around 18.6 per cent of world trade.

The disturbances caused in certain West European chemicals markets last year by U.S. imports have been resolved this year largely by the recovery in the value of the U.S. currency. In the first seven months of 1981 German chemicals exports to the U.S. grew by 14.6 per cent to DM 1.8bn, while imports from the U.S. stagnated at last year's level of DM 1.3bn.

Chemicals trade with the other major world producer, Japan, is still underdeveloped but the chemicals sector is one of few areas of German industry which can boast a positive trade balance with Tokyo. Exports in the first seven months were boosted by 21 per cent to DM 623.8m, while imports from Japan grew even faster by 39 per cent to DM 476.9m. German chemicals companies are looking for strong growth in the Japanese market in coming years, particularly in research-intensive products such as pharmaceuticals.

Chemicals

KEVIN DONE

The German chemicals sector owes much of its pre-eminence in the world chemicals industry to its continuing willingness to invest heavily in research and development. Events in the commodity plastics sector in the past year have shown that companies are still vulnerable to the sharp cyclical fluctuations in bulk products where competition is in any case fierce from the oil companies, which have for some years been diversifying their interests downstream into petrochemicals. Companies such as Bayer, Hoechst and BASF are all pursuing policies of moving ever more deeply into speciality and research-intensive products, which are better protected from the vagaries of world trade.

Bayer, for example, has boosted the share taken by pharmaceuticals in its world turnover to 15 per cent compared with only 9 per cent 10 years ago. Agricultural chemicals have also grown in importance, taking 12 per cent of turnover worldwide in 1980 compared with 10 per cent in 1971. The growth of these sectors has come at the expense of activities such as synthetic fibres—for long the problem child of the European chemicals *industry—which now accounts* for only 3 per cent of Bayer sales compared with 8 per cent 10 years ago, and dyestuffs, whose share has fallen from 11 to 6 per cent.

The chemicals sector is the most heavily research-intensive branch of German industry, accounting for around one quarter of R and D spending in the German private sector last year. In terms of self-financed expenditure the chemicals sector accounts for nearly a third of total research spending. Expenditure last year amounted to DM 5.3bn of a German private sector total of DM 20.9bn. German chemicals sector R and D spending is 97 per cent self-financed.

Despite this impressive performance R and D spending as a percentage of the sector's turnover has recently been falling—in 1979 it dropped to 4.7 per cent, below the average of 5 per cent which had been held for many years—and worryingly the main reason for the increase from year to year has lain not in a growing body of researchers but in the steady expansion of personnel costs.

The number of research workers in the chemicals industry at around 52,000 has in fact barely changed since the beginning of the 1970s. The ratio of R and D spending to the industry's total turnover has fallen in the last couple of years, chiefly because sales figures have been inflated by the drastic series of oil price increases over the last two and a half years.

Some 80 per cent of the products of the chemicals industry depend on oil-based feedstocks, and despite the fact that the sector has cut its specific oil consumption—in terms of the amount consumed per unit of product—by 25 per cent in the last 10 years it has still been hard hit by the rapid rise in the cost of oil and other fuels and feedstocks. Investments aimed at reducing energy consumption are playing an increasing role in chemical industry capital expenditure, which is expected to total more than DM 7bn this year after DM 6.7bn in 1980.

In Germany itself less investment is now being devoted to straightforward expansion of capacity, and in some sectors of bulk production capacities have already reached levels that have far outstripped available demand. According to Professor Rolf Sammet, chief executive of Hoechst, demand for commodity plastics fell by 10 per cent in the first seven months this year, and specific demand for low density polyethylene and PVC, two of the most widely used plastics, dropped by 16 per cent.

Hoechst itself estimates that its plastics losses will total around DM 200m this year. By *the middle of 1981* West European plastics plants were working at only around 60 per cent of capacity. According to BASF, as much as 20 per cent of European plastics capacity would need to be shut down to return the sector to reasonably profitable working. Having slowly but painfully come to grips with the structural crisis in the synthetic fibres sector during the second half of the 1970s—many companies are still operating here too in the red, however—the chemicals industry in West Germany and Western Europe now has another major challenge on its hands in plastics.

WORLD CHEMICALS PRODUCTION

(DM bn)

	Turnover (1980)	Exports (1979)	Imports (1979)
West Germany	107.7	43.9	24.1
U.S.	293.7	33.4	15.7
Japan	136.8	14.3	10.0
USSR	122.2	3.0	6.1
France	67.8	21.6	17.8
UK	74.7	16.3	12.8

Source: West German Chemicals Industry Association.

Rebuke for keeping prices down

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larger scale usage of steel; industrial steel plate, for example, is becoming thinner and thinner without any significant reduction in strength. The innovation of continuous casting techniques is also eroding demand for crude steel.

The scope for expansion is thus extremely limited, yet European crude steel capacity has been growing at a constant rate with no regard to the drop in consumption.

● Meanwhile the cost of producing the steel that fewer and fewer customers want is escalating more and more. In May Dr Alfons Goedde, head of Krupp Stahl, estimated that the cost of producing a tonne of rolled steel has risen on average by DM 130 over the past year. This breaks down as follows:

	DM per tonne
Fuel and overall energy costs	76
Raw materials	19
Labour costs	14
Additional costs	21

These problems were compounded during the first half of the year by the strength of the dollar against the D-mark, which forced up the cost of dollar-denominated imports for the steel industry. Dr Goedde has worked out that if the dollar rises by only 10 pfennigs (ie DM 0.10), a further DM 7 is added to the price of a tonne of rolled steel. While the dollar appears to have stopped its climb against the mark, the damage has been done for 1981 and there is no way of predicting how the exchange rate will affect the need for price rises over and beyond January.

These four cyclical and structural factors have hit Germany's steel companies with unparalleled force. According to an industry study, German steel producers have lost some DM 2bn since the beginning of 1980, when the European cartel's cracks had already opened up and price-cutting had taken hold.

Most German companies had managed to hold the line until the second half of 1980, assisted by relatively strong demand in the German economy. Krupp Stahl is typical of the industry. After about eight months of reasonable operating profits, it suddenly turned in a "catastrophic" final quarter, running up losses of DM 90m between October and December. Altogether Krupp's steel division has lost some DM 600m during the six years of the crisis.

The Estel group has been operating deeply in the red for the past six years, with accumulated losses of about DM 1.4bn. The German half of this Dutch-German group contributed about 50 per cent of the group's 1980 steel production of 10m tonnes but about two thirds of last year's net loss of Fl 488.1m ($189m). Salzgitter, the state-owned production group which calculates that it is losing between DM 10m and DM 20m a month on steel production, saw last year's net losses rise to DM 85.2m compared to DM 4.92m in the previous year.

Only Thyssen, by diversifying out of steel early in the crisis, has managed to stay profitable. *It now dislikes being described* as a steel producer pure and simple—its trading division, for example, outstrips the crude steel division in terms of sales.

This relative immunity brought some criticism from Thyssen's competitors, who suspected that the Duesseldorf concern was trying to drag its feet on price rises. With such a high degree of diversification it could afford to delay the increase, it was argued in the industry. Thyssen—which is in a delicate position because it is both Europe's largest private steel producer and head of the German steel industrialists association—denied the claim and, for once, the industry seems to have stopped its in-fighting.

The steel industry has, despite the crisis, shown a remarkable capacity for self-help. It has diversified out of crude steel with, for example, Krupp expanding its foothold in special steels and Kloeckner buying into small engineering companies. It has boosted productivity. Since 1974 the industry has shed some 60,000 jobs more or less painlessly. Some 10m tonnes of pig iron capacity has been shut down over the past six years, some 18m tonnes of crude steel capacity and 8.5m tonnes of rolled steel. At the same time, DM 10m has been invested in improving the efficiency of the remaining plants.

But this has proved to be insufficient against European countries who can peg their prices at a low level because of government subsidy. The industry thus this summer rediscovered its considerable political muscle—altogether some 300,000 jobs are directly affected by the fortunes of the industry and most of them are so regionally concentrated that even the loss of one steel company would be a major unemployment disaster for the Government.

The latter's response has been a plan which offers grants equal to 10 per cent of the investment cost in future rationalisation moves. This "rationalisation" must reduce and not expand capacity. Research Ministry funds will also be stocked up for steel modernisation and a further sum has been allocated for the retraining of workers made redundant.

Both Bonn and the steel companies realise, though, that the future does not lie with state assistance. The way forward is to continue cutting back production, maintaining price stability and a three-sided dialogue—with the unions (which need to be won over to co-operate in future restructuring); with the banks (which are worried about the liquidity problems of some of the smaller steel companies); and with the customers (whose suggestions about altering the product pallette need to be taken seriously if price rises are going to be pushed through successfully). But Bonn does have one vital role as far as the German steel producers are concerned—it has to put pressure on other European countries to end the subsidies spiral.

Defence budget cutbacks worry manufacturers

THE WORLD aerospace industry, though buffeted by escalating costs, is *looking forward to* a boom of Klondike proportions. But while West Germany's aircraft builders may well be able to share in this recovery over the next decade, they are more worried about the short-term risks than the medium-term prospects.

Their attitude is understandable. After years of bitter negotiations, Germany's two leading aircraft manufacturers — Messerschmitt Boelkow Blohm (MBB) and Vereinigte Flugtechnische Werke (VFW) — have finally merged but now have to forge a new joint strategy, carve out new markets and hold on to old ones, all in the middle of a recession. "The large established American giants can be confident of course," *said a German aero*space analyst recently, "but the new merged company is still relatively small, has teething problems and will have to survive the early years before it can even begin to think along the expansionist lines of the Americans."

There is in any case a clear distinction to be made between the political landscape in

Aerospace

ROGER BOYES

Germany and that in the U.S. and other European countries. In the U.S., defence spending has reached giddy heights and the aircraft manufacturers have been given a boost at precisely the right time. France too has *a government willing enough to* steer an abundance of orders towards the domestic aerospace industry.

In Germany, however, the *defence budget* is under siege. Plans to buy in a number of smaller defence systems have been drastically scaled back. This summer, for example, the Government announced that it would purchase only 140 rather than the previously projected 340 "Roland" anti-aircraft mis*siles, jointly developed by MBB* and France's Aerospatiale.

There are two fundamental reasons for the defence budget austerity. First, financial mismanagement in the Defence Ministry has led to severe cost overruns in the Tornado multi-role combat aircraft project. Procurement plans for the Tornado will go ahead, but Herr Hans Apel, the Defence Minister, has already indicated that the Ministry will have to *re-think its scheme for a tactical* combat aircraft in the 1990s. For MBB, which last year saw 77 per cent of its sales come from the public sector, the dropping of such a major project would be a grave blow.

The other reason for the cutbacks is of political complexion. *Across-the-board public sector* spending cuts are needed if inflation and the state borrowing requirement are to be reduced. Yet it is politically impossible for the Government to slice chunks off social welfare benefits and simultaneously boost the defence sector. The ruling Social Democratic Party —and not just its Left-wing— would not accept such a move. The U.S. Republican Administration, however, has been able *to do just that without any* qualms.

The other problem facing the newly-merged MBB is that of restricted markets. Germany's tight arms export rules forbid sales of weaponry to "areas of tension"—for example, to much of the Middle East, one of the key military aircraft markets. By collaborating with the French—who have more elastic export laws—it is possible for German aerospace companies to gain a little more flexibility. But the fundamental difficulty *remains, as does the additional* price of transnational co-operation.

The ideal market for German military manufacturers would in many ways be the U.S. but the resistance there is very stiff. Thus MBB's Roland missile was high up on the list when Mr *Caspar Weinberger, U.S.* Defence Secretary, recently searched for areas where he could cut—and the potential \$477m deal looks like falling through as a result.

Still, it would be wrong to over-dramatise Germany's problems. At least one of the *causes of British Aerospace's* optimism about the future, for example, is the potential of the European Airbus, in which both Britain and West Germany (along with France and Spain) are involved.

The consortium sees a market for 6,200 jetliners in the short- to medium-range category, worth about \$250bn all told. Some 3,800 will be 250- or 200-seaters such as the A-300 and A-310 Airbuses, while the rest will be smaller 150-seaters such as the A-320 Airbus, yet to be launched. Bremen-based VFW is the part of the new *merged concern to benefit most* from these undoubtedly good prospects, though some Airbus work is done by the Bavarian-based MBB.

It is somewhat ironic that one of the brighter hopes for the German aerospace industry should come from VFW because it was the financial weakness of that company that originally prompted the idea of a merger with MBB. VFW, with its rather uncomfortable marriage *with the Dutch company* Fokker, had problems with its ill-fated VFW 614 short-haul aircraft and was being drawn, towards the end of the 1970s, into an ever-increasing dependence on state assistance. MBB by contrast seemed to have a regular sheaf of orders in the military sector—the Tornado, its anti-tank and anti-aircraft missiles and much else besides—and seemed to be going from strength to strength.

Indeed MBB is still by far the strongest part of the merged concern but the positions seem to have been reversed, if only temporarily by the difficulties in the defence sector. These differences helped to make the merger negotiations tortuous, with bitter disagreement over valuation of assets, the cost of divorcing Fokker and the ultimate work share-out between MBB in the south and VFW in the north. The Bonn Government had at one stage to withhold funds for the Airbus to push the two companies into the final clinch.

If civil aircraft, buoyed up by the Airbus, can play a more important role than military aircraft in the next few years, however, then that is not the stuff of tragedy but a vindication rather of the merger. The thriving civil divisions should be able to prop up the group during times of lean military spending, and vice versa. The merger thus remains a good idea; only its ultimate launching date, several years later *than planned and smack in the* middle of a recession, is creating problems.

What, then, should be the new concern's priorities? In the short-term some form of survival formula has to be worked out. That does not necessarily mean preserving the status quo—the share-out of responsibility within the concern was partly the result of competing regional pressures (both Bremen and Bavaria were reluctant to see jobs shed). To adapt to the tighter competitive conditions in the world, it should perhaps trim down and use its facilities more efficiently.

Secondly, some existing strengths—such as VFW's ERNO space research subsidiary and MBB's palette of sophisticated satellites—should be developed rather than throttled. Further diversification into helicopters—if necessary through joint ventures—and ground systems will also help to cushion the concern from the sharp edge of defence cutbacks.

If this allows Germany's new aerospace *industry* to weather the storm then it too will be able to participate in the boom being predicted by other manufacturers. The industry's optimism is based on two factors. First, the world's airlines need to replace their ageing and costly fleets in the face of rising fuel prices. Secondly, an upsurge in demand is expected to meet the growth in passenger traffic when the recession ends. If Germany's *reformed* aircraft industry spends the next two years streamlining itself, it should be able to develop its share in this expanding market.

THE MBB-VFW MERGER

TURNOVER AND PROFITS
(DM m)

	1977	1978	1979	1980
MBB (before merger)				
Sales	1,800	2,100	2,600	3,300
Net profits	10	27	44	50
VFW (before divorce from Fokker)				
Sales	480	520	650	851
Net profits/losses	−124.3	−2.5	5.5	9.8

MBB'S SHAREHOLDINGS AFTER MERGER WITH VFW

(Per cent)

ABM Beteiligungsgesellschaft (Allianz-Versicherung, Bosch)	13.56
Bayerische Landesamt für Aufbaufinanzierung	16.50
State of Bavaria	7.02
Blohm family	0.67
Dr Ludwig Bölkow	1.57
Fides-Industriebeteiligungsgesellschaft (Siemens, Thyssen, Aerospatiale)	25.70
Hamburger Gesellschaft für Beteiligungsverwaltung	18.23
Messerschmitt Foundation	6.75
VFW-Verwaltungsgesellschaft (Fried. Krupp, Hanseatische Industriebeteiligungen)	10.00

WEST GERMAN INDUSTRY—EMPLOYEES AND TURNOVER 1980

	Employees	(%)	Turnover (DMbn)	(%)
Manufacturing industry (excluding mining)	7,320,000	(100.0)	1,034	(100.0)
of which (main sectors):				
Mechanical engineering	1,100,000	(14.9)	121.9	(11.8)
Electrical engineering	944,000	(12.9)	101	(9.8)
Vehicle building	781,000	(10.7)	111	(10.7)
Chemicals	550,000	(7.5)	108	(10.4)
Food	449,000	(6.1)	118	(11.4)
Metalware	318,000	(4.3)	34.3	(3.3)
Textiles	298,000	(4.1)	30.9	(3.0)
Iron and steel	262,000	(3.6)	43.5	(4.2)
Clothing	255,000	(3.5)	21.1	(2.0)
Wood processing	238,000	(3.2)	27.6	(2.7)
Plastics processing	214,000	(2.9)	27.5	(2.7)
Steel and light metal constructn.	213,000	(2.9)	21.6	(2.1)
Building materials	191,000	(2.6)	28.5	(2.8)
Printing, duplicating	180,000	(2.5)	19.6	(1.9)
Precision and optical engineerg.	161,000	(2.2)	13.2	(1.3)
Paper and pasteboard	113,000	(1.5)	14.7	(1.4)
Rubber processing	96,000	(1.3)	9.9	(1.0)
Leather processing	78,000	(1.1)	6.2	(0.6)
Glass	77,000	(1.0)	8.5	(0.8)
Non-ferrous metals	77,000	(1.0)	22.2	(2.1)
Shipbuilding	51,000	(0.7)	4.6	(0.4)

Source: Federal Statistical Office

Rising costs and weakening demand put companies under siege

THE ELECTRICAL and electronic engineering industries in West Germany are, in terms of employment, the second largest industrial sector after mechanical engineering. It is a vital export sector with about one-*third of its output going over*seas; and it is a sector of the economy which, because of the rapid development of microelectronics technology, has a key role to play in ensuring that German industry remains competitive at home and in international markets.

While large parts of the industry occupy powerful positions at home and abroad, there are, as some recent developments have shown, worrying *weaknesses in key markets* which will need to be overcome if Germany is to play as full a role in international markets for investment goods in the future as it has in the past 20 years.

This year the electrical industry is facing one of its most difficult trading periods, with major companies already reporting declines in profitability and the industry trade association, ZVEI, *warning that production* in 1981 will stagnate in real terms.

In 1980, even though the industry's sales revenues increased by 8.6 per cent to DM 108bn, rising costs, declining utilisation of capacity and weakening demand which prevented cost increases to be passed *on in higher prices, all* contributed to a downward trend in the industry's overall profitability. Pre-tax profit margins fell from 2.4 per cent *to under 2 per cent. Capacity* utilisation was estimated to have declined from 85 to 82 per cent.

This year conditions have become even worse as the profits figures for the first nine months of its financial year (ending June) recently released by Siemens, the industry leader, and the world's fifth-largest electrical concern, indicated. Siemens' profits slumped by 21 per cent in this period to DM 348m on sales revenues only 7 per cent higher at DM 24bn.

Even this performance would have looked worse were it not for the relatively stronger performance of its overseas operations, partly reflecting the weakness of the D-mark which helped to boost foreign orders.

The other major company in the industry AEG-Telefunken, which had to be hauled back from the brink of financial collapse at the end of 1979, when *it reported losses of* DM 968m, has its own special problems. But these have undoubtedly been exacerbated by the recession in the electronics sector. It is widely expected that AEG will announce another huge loss this year—perhaps of the order of DM 300m—and that another financial rescue package *will be needed in order to see* the company through the industry downturn and massive restructuring which is currently under way.

Whereas in 1980 at least the investment goods sector of the electrical industry, which

Electronics

STEWART FLEMING

accounted for DM 56bn of the industry's DM 92bn production, performed reasonably well, virtually all parts of the industry are weaker in the current year. Particularly hard hit, however, has been the household equipment market as a result of high *interest* rates and what is expected to be the first post war decline in consumer spending.

One sector of the household electrical equipment market which has been strong has been video recorders, but here Japan has been swamping the market. Indeed, in the area of electrical entertainment goods, hi-fi, and televisions sets, foreign competition has been an added pressure on the industry. In 1980 imports of such equipment rose by 23 per cent while exports were only 8 per cent higher.

In perhaps the most promising areas for the future, office *equipment, telecommunications* and data processing, there are growing signs that in the past year the major German companies have begun to respond more aggressively to the scale of the challenge facing them in international markets and the pace at which developments in this business are moving.

Volkswagen, for example, has signalled that it now recognises the need to undertake a major overhaul of its recently acquired office equipment operation, Triumph-Adler which has lagged behind the pace of development among its non-German competitors. AEG and the Bosch *electronics* group are in the process of cooperating in the telecommunications field with the Telefonbau und Normalzeit telephone systems company.

There is the possibility that Mannesman, the engineering and steel concern which earlier in the year acquired 50 per cent of office machine producer Kienzle, may also come into this co-operative venture.

Such developments are a promising *sign* for those who are concerned that Germany's position in the fields of advanced electronics needs to be strengthened if export markets are to be held against increasing competition.

World markets force higher spending on innovation

Research and development

KEVIN DONE

WEST GERMANY'S Federal Research and Technology Ministry held its own quite sucessfully during the recent haggling over the disputed 1982 federal budget. R and D is one of the more fortunate areas of government spending that will probably be allowed higher than average growth next year.

The increase of 7.8 per cent planned for the Ministry's budget next year—the total federal budget is supposed to grow by little more than 4 per cent—masks the growing pressures and demands on federal R and D spending, however, which have threatened in recent months to drive some of its biggest projects into the sands because of delays and huge costs increases.

The country's research effort is recognised as a vital factor in the Federal Republic's continuing ability to remain technologically competitive in world markets, but it appears that industry and the private sector in general must be prepared for a period when the tap of federal R and D aid will be much more difficult to turn on. Industry itself will be expected to contribute more to projects that previously have commanded a high level of state support and it seems inevitable that Bonn will become much more selective about the R and D areas it chooses to promote.

The ability to introduce new products and production techniques is central to the potential growth of the German economy. The mounting competitive challenge in world markets — where German exporters already face important cost disadvantages because of high labour, social and raw materials costs—will only be met if the Federal Republic can maintain its position among the world's leading centres for research and development.

The pressure for innovation inevitably varies from sector to sector, but in research-intensive branches of industry such as electronics, chemicals or pharmaceuticals, companies face the daunting task of renewing and replacing substantial parts of their product ranges in a period of little more than five years.

Siemens, the country's leading electrical and electronics group, today obtains nearly 55 per cent of its annual turnover from products which were not on the market five years ago. Half of the sales the company will be making in 1986 will be derived from products that are still to be developed. In recognition of the challenge Siemens raised its R and D spending to some DM 3.3bn in the past business year. This was equal to some 9 per cent of turnover compared with 7.5 per cent five years ago.

According to the Cologne-based German Economic Institute, a third of the turnover of the whole corporate sector in West Germany is derived from products less than five years old, while 45 per cent of products are at least nine years old. "It must be expected that the progressive shortening of product cycles will continue," says the Institute, "so that the economies that best survive the competition will be those that through a high level of innovation can also offer a high level of modern products."

German enterprises have enjoyed a growing level of support from state funds to sustain their research drive, with the Government accounting for 14.1 per cent of research and development expenditure by enterprises last year. Research and development aid has not followed a very steady pattern, however, and the current squeeze on public expenditure must inevitably have an unsettling impact on German business, where the continuity of R&D effort is of the utmost importance.

Over the last decade German business has managed to even out the vagaries of state support, building up its R&D spending gradually from around 1.35 per cent of West Germany's Gross National Product in the first half of the 1970s to around 1.45 per cent in the years from 1976-80. In this period enterprises have enjoyed a rising level of state backing.

While industry's own R&D spending increased in nominal terms by 124 per cent between 1970 and 1980 and the federal budget grew by 145 per cent, the amount of money devoted by the Federal Government to direct and indirect R&D support for German business jumped by 256 per cent.

The budget of the Federal Research Ministry is planned to increase to DM 6.5bn next year compared with DM 6.1bn in 1981. Support for basic research is supposed to maintain a share in overall spending of at least 30 per cent, according to Herr Andreas von Bulow, the Research Minister. Basic research in West Germany accounts for some 22 per cent of total R&D spending by state and business, putting West Germany in the leading group of OECD countries in this respect.

Above average growth rates are planned by the Ministry for spending on basic research, which employs around 30,000 people in the Federal Republic.

The heaviest call on federal research funds comes from the energy sector, appropriately enough for a country dependent for nearly two-thirds of its energy supplies on imports, and which is supposed to be pursuing an energy policy based on the slogan "Away from oil."

In the budget plans worked out in recent weeks, spending on energy research and development is due to rise by 13.4 per cent to DM 2.6bn next year.

Despite the scale of this funding it is precisely in the area of energy research that the Government has run into its biggest financing difficulties. The Federal Republic's whole advanced nuclear reactor research and development programme has been placed under threat because of the lack of sufficient finance to carry it through for the next five years.

Bonn is seeking to overcome the problem by trying to persuade industry to take over a much larger part of the financing burden. It is now pursuing the policy aim of encouraging much bigger participation in the funding of large-scale projects by the eventual users of the plants or systems. The Research Ministry is trying to close the wide gaps in its financing in this way not only in the energy field but also in telecommunications—where the Bundespost is being asked to contribute DM 180m more to the development of the Franco/German television satellite systems—and in transport, where the costs of building an advanced test railway system have gone way beyond earlier projections.

The most glaring example of the Government's problems of funding massive research projects is in the field of nuclear research, however, where for several months the country's DM 8.4bn advanced nuclear reactor development programme has been threatened by imminent financial collapse.

Both the 300 MW fast breeder reactor at Kalkar and the 300 MW high temperature reactor at Schmehhausen are taking years longer to build than previously estimated in the early 1970s when the projects were started. The delays and wild increases in costs have resulted chiefly from the constant revision of construction guidelines and the imposition of new regulations and building requirements which have drastically increased the engineering workload.

The fast breeder, begun in 1973, was originally scheduled for completion in 1979 at a cost of only DM 1.5bn. Current estimates suggest the earliest it will now be finished is 1986, while costs have jumped to DM 5.4bn. The power industry is being pressed by Bonn to close a financing gap of DM 1bn over the next five years and to increase its contribution from the present level of 8 per cent to 28 per cent.

Beyond the thorny area of energy, Bonn is concentrating its R&D aid on areas such as aerospace, which should command DM 915m of federal funds next year — an increase of 14 per cent — marine and polar exploration (DM 470m) and transport and construction research (DM 253m).

Important new impulses are being given to electronics and communication and information technologies, both areas which will play a vital role in the future development of German industry and business and where West Germany is under some of the strongest competitive pressures in world markets. Federal funding of electronics research programmes is to grow next year by 20 per cent to DM 140m, while information and communications technology support will jump by 62.5 per cent to DM 131m.

R & D SPENDING BY W. GERMAN ENTERPRISE

	1980	1977	1973	1970
Total R & D all enterprises (DM m)	21,000	17,549	12,020	9,000
Per cent of GNP	1.47	1.47	1.31	1.33
Self-financed R & D of all enterprises (DM m)	17,030	14,109	9,624	7,610
Direct and indirect federal R & D support to enterprises (DM m)	2,960	1,747	1,730	832
Per cent share of federal aid in R & D spending by enterprises	14.1	10.0	14.4	9.2

Source: German Economic Institute, Cologne.

Dependence on foreign contracts

Construction

KEVIN DONE

THE GROWING squeeze on public expenditure and record post-war interest rates are taking heavy toll of the West German construction industry. With more than 1.2m employees this sector is the biggest industrial employer in the Federal Republic, but tens of thousands of these jobs are at risk as new orders tumble, building activity slumps and hundreds of small and medium-sized building firms go out of business.

The decision by the Bundesbank, the West German central bank, to begin a careful relaxation of monetary policy indicates that interest rates could now begin to fall after an almost unbroken rise over more than two-and-a-half years, but the move is unlikely to lead to any sharp revival in demand in the construction market.

In apparent sharp contrast to the general picture of gloom in the industry, some of the biggest German construction groups have announced bumper profits for 1980, but this performance has been made possible only because of the massive surge in work commissioned from abroad, particularly from a small group of oil exporting countries headed by Saudi Arabia and Iraq. Equally, loss-making contracts booked during the last recession in order to maintain minimum work levels were largely completed in the previous year.

Overseas construction is the one area where business is still booming and some of the big building groups are now dependent for more than 60 per cent of their construction activity on foreign contracts. The value of orders from abroad climbed to DM 10.1bn last year compared with DM 7.575bn in 1979, a performance that has been surpassed only once before—in 1976, when foreign contracts were worth DM 12.6bn. In the first quarter alone this year overseas orders worth DM 5.1bn were booked and the industry is hoping for new foreign work worth up to DM 11bn for the whole year.

Overseas work on this scale does little to relieve the growing unemployment queues in the domestic building industry, however, and most of the orders are passing across the books of only a small number of leading companies such as Philipp Holzmann, Hochtief and Bilfinger and Berger.

With the big push into foreign construction some of these concerns have run the risk of being dangerously over-exposed to developments in just one market, Saudi Arabia. In 1978 Riyadh accounted for no less than 80 per cent of new orders. In the last two years, however, companies have been more successful in spreading their risks around a number of oil-producing countries.

In the West German market construction demand in terms of new orders has been falling since the second half of 1979 but by the middle of this year it had dropped even below the low point established in the middle of the last big recession in 1974-75.

The back-log of orders built up meant that actual construction activity did not begin to fall until the end of the third quarter of last year, but in 1981 construction volume is showing a real fall of 5 to 6 per cent and the pattern of orders established this year makes it almost certain that there will be a further real plunge of 3 to 4 per cent in 1982.

The consequences for employment in the industry have been severe. This year about 8 per cent of the construction force are expected to join the dole queues, with the industry shedding another estimated 100,000 jobs. According to recent forecasts made by leading West German economic institutes the abrupt drop in new orders this year could lead to the loss of an additional 100,000 construction sector jobs in 1982.

In the first half of 1981 domestic new orders plummeted to DM 33.3bn, a drop of 17.9 per cent in real terms below the corresponding period last year. In June, the last month for which official statistics are available, the fall was still accelerating with new orders 20.9 per cent (after inflation) below the level of a year ago.

The slump has had a drastic impact on the profitability of hundreds of small and medium-sized building companies, and many have been forced out of business altogether. The number of bankruptcies in the building sector is expected to total around 1,400 this year compared with 1,041 last year and 804 in 1979. While building material prices rose by around 9 per cent in the first half of this year compared with the same period of 1980 and average hourly labour costs jumped by 9.4 per cent, building prices themselves have been depressed by the weak market.

In the housing sector new house prices have risen according to official figures by only 5.9 per cent this year compared with increases of 10.7 per cent last year and 8.8 per cent in 1979. The sector worst hit by stagnating prices is road-building, however, where prices have risen by only 2.8 per cent this year compared with 12.7 per cent in 1980 and 10.4 per cent in 1979 and companies have again started taking on work at prices that fail to cover their costs.

Whereas the last recession in the mid-1970s was largely triggered off by the collapse of new orders from the private sector and for house-building, the latest plunge in construction industry activity has been brought about above all by falling orders from the public sector, reflecting the growing squeeze on public spending.

Orders from the housing sector, showing a fall in real terms of 8.5 per cent in the first six months of this year, and from the private sector with a decline of 13.2 per cent are clearly contributing too to the sharp drop in building activity, but it is the reduction of no less than 26.1 per cent in new orders from the public sector that is inflicting the real damage.

A recent study by the German Economic Research Institute in West Berlin suggested that building activity in the public sector would drop by 8 per cent this year—road-building is being particularly badly hit—and that a further decline of around 5 per cent could be expected in 1982.

In private sector construction the fall has been less marked, but industrial and commercial building activity has diminished as a result of the recession and the volume of work carried out this year is likely to show a drop of around 3 per cent. The general economic climate is presently offering little stimulus to companies to embark on expensive building projects.

New house-building has been suffering for more than five years from the burden of rising house and land prices and from mortgage rates that for West Germany have reached unprecedented levels of about 12 per cent. The rate at which house prices have been rising has slowed, but mortgage rates are still a major disincentive. The number of housing approvals remained stubbornly around the level of 350,000-400,000 also in the low interest rate years of 1977 and 1978, and there is unlikely to be any increase from this level in the present economic climate.

WEST GERMAN CONSTRUCTION 1980

	(DM bn)	Per cent change 1980 on 1979 Nominal	Real
Total	259.3	14	3.6
House-building	122.0	12.4	2.0
Private sector	87.3	16.8	6.6
Public sector building	24.9	14.8	4.3
Road-building	20.3	12.1	0.2
Other civil engineering	24.8	15.6	5.1

Source: West German Building Industry Federation.

On this page and next, Kevin Done portrays two of the toughest — and most sharp-spoken — of West German industrialists, and Stewart Fleming looks at the careers and aspirations of two senior bankers.

Eberhard von Brauchitsch

EBERHARD VON BRAUCHITSCH chosen by his peers to be the new champion of West German industry, is expected to bring a sharper cutting edge to the cause when he takes over the presidency of the Confederation of German Industry (BDI) at the end of next year.

Von Brauchitsch, for several years the right-hand man of Friedrich Karl Flick and senior deputy chairman of Flick's private industrial empire, is taking on what is nominally an honorary post—the holder is expected to remain actively involved in the affairs of his company—but it is already clear that he intends to play much more than a figure-head role in the BDI's affairs.

He will maintain his current position at Flick but the long lead-time offered by his election in March this year—21 months before he was actually due to take office—is designed to allow him to run down his corporate work load in preparation for the new challenge.

Von Brauchitsch is little known to the wider public, but in a career that has spannned Lufthansa and the Springer organisation as well as Flick, he has become an established figure in German industry, well known as a trenchant advocate of private enterprise and the social market economy. "I have always taken an interest outside my company in economic and social policy," he says, "and have never left any doubts about my views."

For the moment von Brauchitsch must wait cautiously in the wings for fear of upstaging the present BDI president, Professor Rolf Rodenstock, owner of a Munich-based optics concern. But he makes no secret of the fact that in office he intends to follow more the characteristically blunt style of his admired friend Hanns-Martin Schleyer, an earlier BDI president, who was kidnapped and murdered by urban terrorists in 1977. Von Brauchitsch is chairman of the Schleyer Foundation.

Schleyer, who for nine months until his death uniquely headed both the BDI and the German Employers' Federation (BDA) —von Brauchitsch insists that he himself does not aspire to this double role—was a resolute opponent of the move to introduce general co-determination in industry, a fight in which he was staunchly supported by von Brauchitsch. The Act introduced in 1976 theoretically establishes parity between capital and labour on company supervisory boards.

The new president-elect of the BDI is himself a member of the supervisory boards of some of West Germany's best known companies, including Krupp, Klöckner, Deutsche BP, Henkel, Standard Elektrik Lorenz and the Dresdner Bank—he is also a member of the administrative board of the Deutsche Bundesbahn, the West German railways—and he admits readily that he has had only good experiences on those boards. "I have had a lot of luck with the employees' representatives on the other side of the table." He fully accepts the legislation now as a democratic fact of life, especially as its constitutionality has been tested as far as the highest court in the land. But he still insists that the law was a "fundamental mistake. The enormous time it costs could be put to so much better productive uses."

He may have come to terms with the present legislation but he is more worried today at what he sees as union attempts to introduce new co-determination laws to give labour full control of industry. "We must fight it. Life is about the struggle for power. The unions don't come out openly and say that they want to take power, they put on the cloak of the village priest who is fighting for the souls of the oppressed, to protect the poor and the exploited, but they are out to get control of capital." He accepts that such sentiments smack perhaps too strongly of propaganda, "but you should listen to their speeches on May 1," he counters.

He admits readily that Germany has its quota of mismanagement like any other country but insists that companies must have the room to react quickly to correct mistakes. "We have a number of union-owned companies in this country and they are not exactly the best managed concerns."

"I like to express myself clearly and unambiguously," von Brauchitsch said earlier this year. "I do not want easy compromise, but a reliable consensus based on clear points of view." In describing Schleyer as a man "who did not try to bridge opposites artificially," he is probably also describing himself.

Von Brauchitsch, now 54, comes from a solid Prussian background, born in Berlin into a family whose name has more than once figured prominently in the annals of German military history. His father was a career naval officer in World War I before later becoming director of the archives of the national broadcasting authority (the Reichsrundfunk) between the wars. An ancestor was an aide-de-camp who commanded the Prussian troops in Berlin in 1848 protecting King Friedrich-Wilhelm IV during the German Revolution and one of his father's cousins, General Walter von Brauchitsch, was appointed commander-in-chief of the German Army in 1938 by Hitler.

Von Brauchitsch is an impressive figure, six feet four inches tall, an active sportsman in his youth and at 16 schoolboy boxing champion in Berlin. His interest in sport has remained and though never a top-class athlete himself he circulates in the top echelons of sports administration. He is vice-chairman of the German Sports Aid Foundation, a member of the presidium of the national Olympic Committee—he was a leading advocate of the boycott of the Moscow Olympics—and is vice-chairman of the German Olympic Equestrian Committee. His passionate interest in riding was kindled by his wife and four children and he maintains his own stable of horses.

Von Brauchitsch started his career as a lawyer in Berlin after periods of study in Mainz, Amsterdam, The Hague and London, but decided to switch direction when he discovered that many potential clients thought he was too young to be able to offer the seasoned advice they were seeking. "If you are 26 and grey-haired that is all right but if you are 26 and look 18, that is much worse."

He joined Lufthansa in 1954 and in the late 1950s in his position as general manager of what is now the Lufthansa subsidiary Condor he played a major part in the organisation of the chaotic and dangerous German air charter market. "We had to convince tourist operators that it was better to buy expensive but safe services; we had to give safety a market value."

During his schooldays one of von Brauchitsch's close friends was Friedrich Karl Flick and the link of friendship was still strong when the latter's father, the legendary Friedrich Flick, called him into the headquarters of his private business empire in Dusseldorf in 1960. Five years later at the age of 38 he was a general partner.

For a brief two-year interlude he switched to the top management of the Springer publishing group in 1971-72. In 1972 Flick Senior died but included in his will was an appeal to von Brauchitsch to return to the concern. The call was answered at the beginning of 1973. During the second half of the 1970s von Brauchitsch, who specialises in finance, personnel, administration and legal matters in the four-man collegiate leadership of the Flick group, has played a major part in planning the re-structuring and investment policies of the concern based on the DM 1.9bn proceeds realised from Flick's sale of a 29 per cent stake in Daimler-Benz in 1975.

Von Brauchitsch is already an influence to be reckoned with behind the scenes in German industry, with good contacts in Bonn and a line to Chancellor Helmut Schmidt in the form of the "Kanzlerrunden," the informal dinner-table soundings taken by Herr Schmidt of leading figures in German life.

It remains to be seen, however, how well he can articulate industry's cause publicly and whether he can meet the challenge of moulding a coherent body of opinion among his new masters, namely the 37 different trade associations which make up the BDI and which have sectoral interests ranging from cars to sugar production.

K.D.

Friedel Neuber

DO YOU need to be an experienced international banker to make a success of the job of chief executive of one of the world's biggest commercial banks?

That was one of the questions being asked earlier this year when Westdeutsche Landesbank (West LB), the third largest German banking organisation with assets of DM 114bn, announced that Herr Friedel Neuber, who is 46, was to take control of the bank's affairs following the abrupt resignation of Dr Johannes Völling.

The task Herr Neuber faces is herculean, for West LB is a unique banking institution which needs nursing back to health. It is owned by the Government of the German State of North Rhine—Westphalia and by the savings banks associations in the state. The savings banks in turn are municipally owned; and in 1980 West LB hit the biggest problem of even its admittedly controversial history, which explains why Herr Völling's job opened up early.

In the late 1970s, in pursuit of aggressive expansionist policies similar to those of his predecessor Dr Ludwig Poullain, Dr Völling took on huge volumes of medium and long-term fixed interest business without making sure the bank had adequate low cost fixed interest re-financing to keep the loans profitable. In 1980 German interest rates surged, forcing West LB to write off some DM 200m on securities and pushing some DM 10.8bn of mismatched lending into the red.

Profits plunged from DM 188m to DM 61m, and even those earnings came from its building society subsidiary which accounts for only about one tenth of West LB's total assets. In the current year, as German interest rates have soared again to record peaks, the situation has deteriorated.

It was not just the drop in profits, however, which led to Dr Völling's resignation. The shareholders, who late in 1980 had been asked to subscribe an extra DM 200m of capital, were not kept fully informed about the problem of the bank and were shocked to learn just before the new capital was called that West LB could not pay a dividend.

Herr Neuber has had little to say in public since coming into office but his comment that his job is "to minimise the damage from mismatched re-financing, improve profitability and strengthen the trust between the managing board and the owners" needs little elaboration.

It is in the latter area of owner-management relations that Herr Neuber can claim to have expertise which few international bankers could offer. A self-made man, he left school at 15, trained in business with the Krupps company, first in its foundry and then in the accounts and finance division.

After a brief period as chief executive of a local hospital he became in 1969 president of the Rhineland Savings Banks Association, one of the owners of West LB, a job which gave him a seat on the West LB supervisory board. Throughout much of this period Herr Neuber was active (as a member of the state's ruling Social Democratic Party) in local politics.

His 10 years on the board of West LB coupled with the fact that he is well-known in local political circles as well as among the savings banks in the state give him a strong base to rebuild relationships between the bank and its owners and helps to explain his selection as the new West LB chief executive. There can be no doubt either that skilful handling of the local political environment is going to be vital to West LB as it goes through convalescence, probably paying no dividends but almost certainly seeking more new capital.

As for managing the bank itself, Herr Neuber will at first no doubt have to depend considerably on the quality of the executives he has to work with. In this respect he is luckier than might be assumed from looking at West LB's profit and loss account. From the early days of its expansion under Herr Poullain the bank has ensured that it recruited experienced senior executives.

S.F.

Helmut Guthardt

TO ALL outward appearances D G Bank could pass for just another big international commercial bank, albeit one with a slightly puzzling name.

It is a name, however, which appears on tombstone advertisements for syndicated loans, on branch offices in London, New York, Hong Kong and Los Angeles, as well as on the, for a big German bank, mandatory Luxembourg subsidiary, and its Frankfurt headquarters is another of those bank tower blocks about which critics of the City's planning policy fume.

Herr Helmut Guthardt, 47, chief executive of the bank since July, is careful to explain however that in spite of outward appearances, D G Bank plays a unique role in the West German banking industry as a subsidiary of the 4,200 co-operative banks in the country and the institution which has the primary function of managing the liquidity of the co-operative movement.

"We are a relatively big bank but we do not want to act like a large private commercial bank in the sense of maximising profits." It is our function, he says, to manage the liquidity of the banks in the co-operative bank movement and the bank must have a profit to build capital and cover risks. But its profits need to be seen in the context of the co-operative banks as a whole, he points out.

Last year, according to the Bundesbank, the West German Central Bank, these 4,200 bank co-operatives (Kreditgenossenschaften) were the most profitable sector of the German banking industry, pushing up their earnings by 29 per cent, at a time when most of Germany's banks were struggling to prevent their profits from plunging. Their performance underlined again just how vigorous and important a sector of the German banking industry the co-operative banks are.

In the past decade they have been fast-gaining market shares against their main rivals, the commercial banks and the savings banks, and in 1980 commanded 11 per cent of the German banking industry's total business volume and 23 per cent of the lending to individuals. If the assets of the DG Bank itself, and those of other specialist operations are added in the co-operative banking sector's market share is considerably higher.

Their high profitability in a year when interest rates were rising sharply reflects the fact that they have a healthy base of cheap deposits and make a big earnings spread when they can raise their lending rates as interest rates rise. But it is also in part a result of the way the Bundesbank defines the co-operative banking sector to exclude the DG Bank and the co-operative movement's regional central banks.

Last year was not a banner year for the DG Bank itself. Herr Guthardt points out that typically in years when the smaller co-operative banks are expanding and profitable, the central bank, DG Bank, has a poor year.

At the moment, he says, that does not worry him so long as his shareholders are happy. With international lending margins for top quality customers low and risks for other loans high, he is quite happy not to have the problem of lending huge amounts of liquidity. This year the DG Bank's consolidated assets (the initials stand for Deutsche Genossenschaftsbank) are unlikely to be little changed from the DM 69bn reported last year.

Since about 1973 those assets have been employed not only meeting the liquidity needs of the co-operative banks but in a broadening range of domestic and international business as DG Bank has evolved into a universal bank. The decision to expand reflected in part the belief that the DG Bank needed access to a broader range of international financial markets for liquidity management purposes, and also because of the opportunities which an international capability would open up for customers of the co-operative banks.

But as Herr Guthardt makes clear the goal is not to make DG Bank into a direct rival of the big commercial banks like Deutsche Bank. The problems several of the Landersbanks have hit, demonstrate the difficulties this can lead to.

S.F.

Helmuth Buddenberg

IF APPLIED this side of the tactics would probably lead quickly to a few cases of heart failure among personnel on the more reserved upper floors of British Petroleum's Britannic House in the City of London, but in the Federal Republic Helmuth Buddenberg's blunt outspoken behaviour has served to push him to the forefront of the German oil industry.

His rise has not exactly been applauded by the chiefs of the other oil majors operating in the Federal Republic, but they have been able to do little to resist it. When he burst onto the German oil scene at the beginning of 1976, with his promotion to chief executive of Deutsche BP, British Petroleum's West German subsidiary, Buddenberg took over a *rather* sick company which had just ended the year with losses of around DM 280m.

BP in London was already considering an "Italian solution" for its German problem child, namely complete withdrawal from the market, but under Buddenberg's leadership it was given another chance to *secure its future.*

The answer Buddenberg came up with was hardly one calculated to endear him to his rivals. In absolute secrecy he engineered a DM 800m deal with Veba, West Germany's largest industrial concern and 44 per cent owned by the state, which overnight catapulted Deutsche BP from being the *sector's sickly weakling to the* largest oil company in the country, well ahead of its previously superior rivals Esso and Shell.

At a stroke, through the take-over of Gelsenberg, a Veba subsidiary and an old-established name in the German oil industry, Deutsche BP became the leading oil marketer *in the Federal Republic* with around 17 per cent of the business, compared with the 10-11 per cent previously held. Buddenberg added about 1,000 filling stations to Deutsche BP's existing network, acquired a base in coal trading, and above all purchased a 25 per cent stake in Ruhrgas, West Germany's biggest gas importer and distributor. Most of the other oil majors are also represented among the Ruhrgas shareholders, but none has as large a share as BP.

The chief beauty of the deal for BP, however, was that from a company in 1975 that handled around 13m tonnes of oil it grew in 1979 to a company dealing in around 24m tonnes of oil with barely an increase in its workforce over the period.

Some of his competitors in the oil industry have tended to look down on Buddenberg and regard him perhaps more as a successful bookkeeper than a traditional oil man. Buddenberg, now 57, has been a one-company man, joining the Deutsche BP predecessor company Olex in 1948 after taking a degree in business studies at Kiel and Hamburg universities. In 1959 he was appointed to head Deutsche BP's accounts division, before being appointed to the main Board five years later.

With unbounded vigour he set about making Deutsche *BP* into a more rounded energy company and has tried all along to make the company appear *to* be a German entity. Indeed he has the much-repeated ambition to float off a part of the Deutsche BP equity to the German public and the concern often uses the newly acquired Gelsenberg name when it is trying to *emphasise its German identity.* In dealings with some of the oil exporting states which still resent BP's colonial past, Deutsche BP's new subsidiary offers a useful additional persona.

Few industrialists have been quite as publicity-conscious as Buddenberg, and during the past couple of years in which oil *industry* profits—*and especially* the windfall profits accruing from oil price increases—have come under close public scrutiny, Buddenberg has decided to ride his charger into the thick of the fight, doing battle for BP and the industry at large.

His initiatives do not always end happily. Early in 1980 he handed out a DM 100,000 challenge to the media to examine the BP books and prove if they could that BP was charging extortionate prices for its products. The offer was accepted by Germany's second television channel, which brought in the respected Professor Horst Albach of Bonn University, a member of the West German Council of Economic Advisers—"The Five Wise Men"—to carry out the auditing.

Buddenberg was as good as his word in opening up the books at Deutsche BP's Hamburg headquarters, but as Albach followed the trail back*wards* he inevitably arrived in London at the BP group HQ. Here Buddenberg was badly let down. Albach reported that at Britannic House the shutters came down on his research. Trust was one thing, he told Buddenberg firmly, but control was better, and the BP oil chief's public was left with a distinct feeling of uncertainty about the true nature of the company's profits.

Buddenberg has still to get *over* the hurdle too of being one of the country's disadvantaged "have-nots" when it comes to domestic German oil and gas resources. Arch-rivals in the industry like Esso, Shell and Mobil are all much better placed to carry the losses incurred during oil gluts on *their refining and marketing* operations, because they have large and lucrative interests in German oil and gas production.

Buddenberg has been accused more than once by other oil company bosses of organising a campaign to have domestic oil production taxes raised. Heinz Wustefeld, chief executive of Wintershall, one of the "haves," *claimed recently that* Buddenberg and BP were making "deplorable" and "misleading" attempts to gain public sympathy for higher taxes on German domstic oil production. The campaign could "strangle" some of the Federal Republic's older fields, said Wustefeld.

Buddenberg is hardly the sort to be repentant, however. He stood his ground stubbornly too under attack from Count Otto Lambsdorff, the Federal Economics Minister, who accused BP of trying to organise publicly oil product price increases. At the moment, with the dollar *falling against the D-Mark,* petrol prices are dropping in the Federal Republic, and it was Buddenberg who led the price cuts among the oil majors in the German market.

At the time the dollar began falling he happened to be in Mexico, arranging with the Mexican President personally the basis for BP's and Germany's first long-term crude oil supply contract with the world's fourth-biggest oil producer. Distance did not hinder, however, the snap decision to lower petrol prices by 2pf per gallon in the Federal Republic, a move his rivals had little choice but to follow.

Buddenberg's attitudes often appear to be too good to be true, to smack of platitudes, but there appears to be little doubt that he has had a major impact in galvanising the once sleepy Deutsche BP into a force to be reckoned with in the German oil market. He can only hope that BP does not go the same way as one of his latest promotional ventures, the bringing back to German football of Franz Beckenbauer.

Deutsche BP sponsors the Hamburg football team and it was BP money that helped persuade "Kaiser Franz" to return to the German football league. After a much heralded return Beckenbauer is now lying injured on the sidelines. Deutsche BP too has been operating deeply in losses again *after surging to apparent* health in the late 1970s, and it remains to be seen whether Buddenberg's dynamism is enough to turn it around again.

K.D.

Inflation hits wage agreements

FOR THE first time in a generation West Germany's workers are this year facing a decline in real income as a result of the general level of wage agreements reached in the spring. On that occasion the Federal Republic's powerful trade unions, led by the metal industry union IG Metall, concluded an exhausting and rancorous dispute with Gesamtmetall, the employers' federation, by accepting a wage increase which has not protected its members against inflation.

The bitterness which erupted in the dispute was underlined by the failure of the two sides to put into the agreement a clause halting legal actions stemming from the negotiations. Thus even as IG Metall prepares its positions for the forthcoming wage round, the metal industry employers are pursuing court actions aimed at preventing the union from again resorting to costly and disruptive token strikes as a way of putting pressure on management when talks are underway.

What to do now in response to wage agreements which brought increases of around 5 per cent this year while inflation has been running at 6 per cent is only one of a multitude of problems facing trade union leaders in Germany.

Not only are workers' real earnings not increasing; more and more union members are finding themselves either out of work or working only short-time. Unemployment is running at 1.25m (September figure), the highest level since 1952. A year ago there were just 823,000 jobless. Herr Josef Stingl, President of the Federal Labour Office, has warned that projections of 1.75m unemployed next year are "not unrealistic" and has said that even real growth in the economy of 2 to 3 per cent (the best that can be hoped for next year) will not prevent unemployment increasing from current levels.

The rise in unemployment is not only the result of the cyclical downturn in the economy, however. As in other European countries growing emphasis on labour-saving investment and automation — particularly, for instance, in the car industry— is tending to reduce the labour content of output. So far companies like Volkswagen maintain that this has not led to declines in employment but there are fears that unless output grows rapidly enough in the next few years, absolute declines in employment may not be avoidable. Indeed some major companies — like Siemens, for example, the electrical giant— have already sharply reduced the number of workers they *employ in their German* operations over the past five years.

Unemployment is not the only threat from these structural changes in the way German industry operates. In many cases increased automation is leading to the replacement of skilled and semi-skilled jobs with jobs which, on traditional management-*labour job classification scales, are unskilled — many* more "machine minding" jobs, for example.

Thus the unions are facing the prospect of having growing numbers of their members shifted into lower paid jobs, a process which is unlikely to make union leaders popular. The unions for their part are seeking job re-classification to maintain their members' earnings, but with profits under *pressure it is a difficult goal to* achieve.

Trade unions

STEWART FLEMING

These challenges to Germany's trade unions have coincided with a period when organised labour's ability to influence economic and social policy at a national level has waned too.

The Social Democratic Party, the senior member of the ruling Government coalition, has long historical links with the trade union movement. But since its success, along with its partner the Free Democratic Party, in last year's general election; it has been struggling from one political crisis to another, torn by internal party disputes and repeatedly *outmanoeuvred by its smaller partner.*

It was only after bitter negotiations which brought the Government to the point of collapse last month that a new Budget policy was hammered out, which did not include proposals for cutting back unemployment benefits. Now there are fears that increases in the number of jobless will bring further unplanned expenditure burdens on the Government and that this in turn will lead to new pressures to restrict unemployment entitlements.

While organised Labour and its friends in Bonn have thus far been successful in resisting these attacks on workers' interests, Labour has had no *noteworthy success in persuading* Bonn's politicians to shift economic policy in the direction of new measures to promote employment and stimulate the economy.

Against this unpromising political and economic background the unions must now prepare themselves for the coming wage round. Already there is evidence that some unions (and politicians) are casting around for new policies for tackling some of the problems they face. The leadership of I G Metall, for example, is considering a two-pronged negotiating policy, a combination of a straight wage demand coupled with a voluntary early retirement programme—to be paid for by the employers.

The idea has several things to recommend it. It may appeal to older union members and at the same time be sold to younger workers as a policy which may help protect their jobs. Its political appeal is that workers *taking early retirement will not* be added to the unemployment lists and become a further burden on Bonn's finances.

But there are problems too, the most obvious being whether the members want to trade early retirement against their percentage wage award and whether the employers would be willing to finance such a scheme. There are early indications that metal workers in the more militant and prosperous regions would prefer to fight for a straight wage increase.

Moreover, some union strategists argue that with the economy in recession and company profits under pressure, now is not the time to start pursuing complete new negotiating goals such as early retirement. What is needed, according to this argument, is a simple target which can command widespread membership support and which can, if necessary, be backed up with determined strike action.

What is now at stake, however, is not just what percentage wage increase workers in German industry get next year. Without question, one of the principal factors contributing to the post-war success of the German economy has been generally good labour-management relations. As union leaders look forward to the economic prospects for 1982, rising unemployment and a sluggish economy, they are concerned about what impact such labour market conditions will have on workers' attitudes, not only to their union and its leaders, but also to their work and the society they live in.

These anxieties are particularly pronounced in relation to younger workers who have grown up in prosperity and not suffered the deprivations of war. The coincidence of this generational change with the need to implement far-reaching structural changes in the economy and an economic downturn is posing major challenges for both management and labour.

Strong marketing boosts food producers' profits—and German waistlines

Farmers protected by Bonn and strength of D-mark

Agriculture
JOHN CHERRINGTON

ALTHOUGH AT 14m hectares the agricultural area of West Germany is 4m hectares smaller than that of the UK, production in most departments is considerably higher and the degree of self-sufficiency in temperate foods for a population 6m larger, now approaches 90 per cent as against 70 per cent in the UK.

The reason for this is that the quality of the agricultural area is basically much higher than that in the UK, where agricultural land includes many hill and marginal areas. This is reflected in the fact that 42 per cent of West German land is cereal growing as against 21 per cent in the UK.

There is though a tremendous difference in the structure of the industry, with 840,000 holdings in Germany as against 260,000 in the UK. This is a result of deliberate policy, first of all the operation of the Code Napoleon which ensured the equal distribution of a man's assets between his family on death which operated in central and Southern Germany. There has also been a deliberate government policy since the last war of maintaining a rural population by almost any means.

To further that policy industry was directed to the countryside so that farmers and their families could do part time work. *The result of this is that the number of full-time farmers is only a fraction of the total, but their production is much larger than their numbers would indicate.* But at the same time the output of the part-time farms is extraordinarily high and the land very well farmed as well. It has always seemed to me a very good mix.

But German farmers have had other advantages. The main one being that because of the perennial strength of the mark their prices have been protected against imports from fellow Community members by Monetary Compensatory Amounts, at present 8½ per cent. It was for a long time 10 per cent or more.

Farmers have also been well supported by the Government. There is a law which guarantees farmers an equal income to industrial workers, although how that is implemented is unclear. The different Laender have separate policies within the whole and the general impression is that farmers are especially favoured.

One does encounter some criticism of this among the non-farming community, and these critics have surfaced among the rank and file of the Social Democrats, particularly in attacks on the high costs of the Common Agricultural Policy. These attacks have been muted in the Government coalition in the interests of unity. But the Government has made a reduction in the Agricultural budget which could be an earnest of things to come.

Within these limits, the overal output of milk, beef, cereal and root crops has been gently rising. The variations in output have been due to seasonal factors. There has been some reduction in the number of very small farms but this in a way has improved the productivity and the production of those that remained.

West Germany provided the largest number of those leaving the dairy industry. In the period during which the EEC's non-marketing premium was operating, from July 1977 to December 1980, 72,000 farmers applied to have 597,000 cows removed from the national herd—about 12 per cent of the total. Yet in June 1981 cow numbers were down only marginally on those in the year the scheme started. In terms of reducing milk production the EEC scheme might just as well not have been initiated.

There has been a slight check in the steady increase in milk production which has accrued over the last few years, but this might just as easily been a result of seasonal differences. The increase in milk production has been due to a steady increase in yields per cow over the years and this could be owing to an increase in the consumption of cattle compounds. These have more than doubled over the last decade, and although their use is not yet on the scale of that in the UK or the Netherlands, it soon will be.

There is an irony in this compound feed situation in that Herr Ertl, the federal republic's long-serving Agriculture Minister, used to claim that the Community's chronic milk surplus was the production of those countries where heavy use was made of compounds, often from imported materials. He used to suggest some limitation of their use. Now his own farmers are deeply involved in the same game.

The dairy herd is the basis of a substantial production of beef and veal which not only supplies home demand, but also allows for a small export surplus over imports from the rest of the Community and elsewhere. There is also an important surplus of calves which are exported to Italy where they are reared to mature beef; some of the most expensive young cattle in the world.

West Germany with 22m pigs is the Community's largest producer and consumer of pork, and is a substantial importer as well. The pig herd used at one time to be fed largely on potatoes, of which the country is a very large producer, but is generally turning over to other feeds, based on cereals and cereal substitutes.

The productivity of German farming is a matter of concern to her neighbours, particularly Denmark. The feeling is that the principal industrial producer of Europe should be prepared to accept larger quantities of food imports and they object particularly to the continuing MCA protection.

The argument cuts little ice in Germany where a prosperous agricultural sector is considered by the majority to be a sensible part of the economy.

WEST GERMAN AND UK FARMING COMPARED

	W. GERMANY	UK
Total population	61.3m	55.8m
Per cent in Agriculture	5.3	2.8
Agricultural area hectares	14m ha	18.3m ha
No. of holdings	815,000	237,000
Av. size over 1 ha	15 ha	50.4 ha
Production 1979		
Cereals	22.7m tonnes	17.03m tonnes
Milk delivered	22.7m tonnes	15.09m tonnes
Beef	1.4m tonnes	1.04m tonnes

Home and export markets created by CMA's promotion drive

Food Marketing
ELGIN SCHROEDER

"FRESH FROM the German provinces to the table." Such is the best-known slogan propagating West Germany's agricultural produce. Behind it stands the CMA, the Central Marketing Organisation for German agricultural industries. It has so successfully polished the image of domestic food and drink that for many people German cuisine now means tasty regional dishes and wines—not just sauerkraut and beer.

The CMA was set up in 1969 by the Bonn Government to improve the marketing of German agricultural products both in the federal republic and abroad, and it quickly gained a reputation as one of the world's most effective food promoting agencies. During its first five years it was aided by federal funds to bring together food and drink producers, processors and distributors to help create market demand—and to meet it. Now its annual budget of roughly DM 100m is exclusively financed by the agricultural industry under a complex system of dues to be paid per head of cattle sold, litres of milk produced and so on.

The CMA spends about two-thirds of its budget on domestic marketing activities, the rest to boost exports. Apart from advertising in the media, it conducts market research, participates in agricultural and food trade fairs, sets up special sales shows, creates badges for product quality and helps develop new products.

It maintains a network of international offices—in among other places the U.S., Japan, Italy, Austria, France, Belgium, the Middle East and Britain—to increase awareness of what German agriculture can offer.

Almost every type of German food and drink—except wine—is handled by the organisation. Nonetheless, demand for German wine has gone up through CMA efforts to promote German products generally. However, it does not promote one particular brand or produce over another.

Herr Helmut Fahrnschon, the CMA's managing director, is proud that his organisation has helped successfully to maintain German food and drink's domestic market share. Germany, after all, is surrounded by the classic food and drink countries—France, Italy, Denmark and the Benelux states. He is also pleased that the CMA has contributed to the increase in German per-capita consumption of high-quality foodstuffs.

He feels though that the CMA's greatest achievement has been on the export side. "Fifteen years ago the German agricultural community was not at all export-orientated. Only wine, beer and a few specialities such as, for example, tinned ham or sauerkraut crossed the borders," he explains. "Today, roughly 10 per cent of total German agricultural production is sold abroad."

Over the last decade German agricultural exports quadrupled. In 1980 alone they went up by roughly 18 per cent to more than DM 17bn. This year they should reach DM 20bn. This means that the agricultural sector is now the federal republic's fourth-largest export industry. Two-thirds of German agricultural exports go to EEC countries, with Britain the fifth-largest recipient. But buyers also include the oil-exporting and Eastern European states.

Experts attribute this expansion of trade largely to the CMA. "That German agricultural exports could reach this volume at all is due decisively to the sales promotion activities of the CMA," says Dr Arend Oetker, head of the German Food Processing Association.

Vegetable stall in Munich. Germany is now a major food exporter too.

WEST GERMANY XVII

Heroes who cannot compete with Spaghetti Westerns

Films

ROGER BOYES

"WHY DO YOU have to hang a moral on to every story — aren't the facts enough?" The voice is that of a British reporter in Beirut addressing the hero of Volker Schloendorff's latest film, Die Faelschung (Circle of Deceit), and it is impossible to ignore the note of self-parody.

Schloendorff, along with the other ageing young turks of the German cinema, is essentially a schoolmaster with a bundle of visual aids—every major scene has to have a message even if that over-burdens the story line.

The German film-goer leaves the cinema, as a child leaves a birthday party—clutching consolation prizes. A special showing of Die Faelschung in Bonn this month reinforced this impression. The film is about a foreign correspondent in Beirut but who is unable to convey his feelings or horror about civil war killing in prose. He observes, even participates, in events but discovers that it is impossible to translate emotion without misrepresentation.

A fine subject, one might think, for an audience of foreign correspondents, but a straw poll afterwards indicated that the film-goers felt better informed and stimulated—but not warm inside.

And that, some critics maintain, is the central problem of German cinema today: the absence of warmth, there is no humour, no comfort on offer. Perhaps Anglo-American audiences have been corrupted by too many happy endings, too many easy resolutions. Good still triumphs over evil in local British cinema—or, at worst, evil destroys itself; in German films, there is good and evil too—it is just that nobody seems to make the choice.

The first thing that has to be said in defence of the new German film-makers: Schloendorff (The Tin Drum, The Lost Honour of Katerina Blum); Rainer Werner Fassbinder (Fear Eats the Soul, Lola and much else besides) and Werner Hauser (Kasper Hauser) is that they know their craft.

Schloendorff worked under Louis Malle and Resnais and it shows. The workmanship is excellent, the camera work impeccable. That, of course, is the acceptable face of didacticism—teachers need convincing images if they are to hold the attention of the schoolroom. Fassbinder understands this better than any of his German contemporaries. For example, the camera will stick on a frustrated Arab kicking in a television set (in Fear Eats the Soul) for what seems like minutes. When arresting images have to be created, the camera moves into real time. The risk is boredom, the prize is the indelible printing of a vision on the memory of the viewer.

The second line of defence for the new German cinema sounds more like an apologia. They are very young, these directors; with the exception of Schloendorff (who is in his early 40s) and Alexander Kluge, they are all in their 30s. Fassbinder, who spends most of his creative energy attacking the values of the economic miracle, is himself a model of almost Japanese-style productivity — though only in his early 30s, he has directed about 40 full-length features. He is now slowing down a bit, for which most of us are thankful.

Because they are young, it must be assumed that they will eventually broaden their range, soften the dialectical edges. The themes are the themes of young Germans — coming to terms with the war, with the economic materialism of the 1950s, with racial prejudice, with social intransigence and conformity.

With the exception of Herzog (whose films are also about myth and divinity) and Wim Wenders (who looks at friendship), the filmmakers seem more concerned about how individuals bounce off social barriers than about psychological development. Heroes are invariably manipulated because they are ill (The American Friend), or social outcasts (Kaspar Hauser) or innocents (Die Faelschung, Katerina Blum).

We are never told what goes on in those frenzied manipulated brains, their choices, expectations and disappointments. We have to deduce it from the way our hero throws himself down an underground escalator. This makes the new German film hero seem either stupid (why doesn't he realise that he is being manipulated) or suicidal (why doesn't he stop being manipulated).

But it's all good clean fun if you can stay awake. And the new techniques are especially well suited to the more delicate social subjects. Tin Drum, the only post-war German film to win an Oscar, shows us the irresistible force of Nazism through the eyes of a critical midget, who in an anarchic decision has decided not to grow any more because he does not much like the grown-up world. He expresses his protest by furious, aggressive banging on a tin drum (blechtrommel). Other directors also choose outsiders to look into a society of which they disapprove. Fassbinder, for example, makes frequent use of loose, passionate women (Effi Briest, Maria Braun) or out-and-out prostitutes (Lilice Marlene).

There is a specific reason for that. Fassbinder's main target is mindless conformity—the conformity that allowed Hitler to come to power, and the same conformity that he can see at work now. The only people to see through the conformist taboos are women, whose sensuality defies the rules and turns the values of the mindless menfolk upside down. His more powerful heroines enslave, the others become victims (as in his 13-part television series Alexanderplatz) — but they *always resist and expose* the weakness of men.

The latest Fassbinder film, Lola, is a classic example of the continuities of German cinema. Originally, the stuff of the film was a turn-of-the-century novel by Heinrich Mann, a satirical attack on the Wilmelmine petit-bourgeoisie, called Professor Unrat. It was made into a film in 1930 called the Blue Angel, by Joseph von Sternberg, starring Marlene Dietrich, and suddenly the satire had become a melodramatic tragedy. Now Fassbinder has got hold of the story, set it in the 1950s, brought back the satire and made it into a comedy of manners. Such is progress. It would be wrong of course to maintain that these internationally acclaimed films are pulling in millions of German filmgoers, anxious to witness the next Fassbinder adultery-bloodletting. The films that draw the big audiences also go for social realism, but they root for the conventional side.

Thus Katherina Blum, Schloendorff's account of how an innocent girl is tarnished as a terrorist by society, did not capture mass audiences. But Ulrich Edel's Christiane F, a story of a 13-year-old drug addict, has drawn in an audience of almost 4m. Why? Because it hits at an easy target—heroin addiction—adds some sex, and satisfies social consciences with the minimum of discomfort.

For the same reason, there are hopes that Christine F will seize the imaginations of a much larger international audience than is usual for a German film. But that will be an uphill struggle: since the war, there has been a strong resistance in the U.S. to foreign films unless they conform to certain narrowly-defined requirements. By contrast, U.S. films still dominate the German circuit—despite the renaissance of home-grown directors.

There are four main reasons for this:

● The German film industry was dismantled and broken into small, inefficient units after the war. Foreign companies used this advantage to capture the lion's share of the German distribution market.

● Until the 1960s, German films nevertheless managed to keep 26 per cent of the domestic market—but largely through light, popular films. *Audiences are now demanding higher standards.*

● The number of provincial cinemas—which used to keep alive interest in home produced films—has dropped sharply because of the growth of television.

● Powerful U.S. marketing has ensured that Hollywood films accounted for 55 per cent of the films showns in Germany in 1980. German films accounted for only 9.3 per cent that year.

There are two primary answers to this economic problem. First, a rediscovery of the cheap budget film. Alexander Kluge has been active in this field but directors like Fassbinder need high capital investment for special effects and period costumes. Second, government has acknowledged that it has a duty to support the new film-makers to compensate for the relatively small domestic viewing audience. Funds are put up by the federal and state governments, some of which flow back into the government coffers. Export earnings from German films came to DM 10m last year.

Finally, television producers and film directors work much closer together than, say, in Britain. As there is no commercial television in Germany, such a working arrangement is effectively another form of government subsidy. Although it was massacred by the critics, Fassbinder's television serial of Alexanderplatz gave him important funds for other projects.

Does government subsidy corrupt? Not so far, it seems, though there have been occasional dark mutterings about censorship. The Government programmes are in fact a token of remarkable foresight—without this *kind* of help for financing film production, the young film-makers would long ago have drifted off to Hollywood or Rome, much as Fritz Lang and other top German directors left Germany in the 1930s for America, though this, of course, was for political rather than financial motives.

Meanwhile, the new German directors will stay in Munich and Berlin, attacking *lower middle class prejudice*, warning that Big Brother is around the corner, sniping at the inadequacy of government, at banks and the social establishment. And the mass German audience will continue flocking in to see Spaghetti Westerns and knockabout films with submarines and drugs and American heroes. Beware Schloendorff and Fassbinder: you risk becoming schoolmasters without pupils.

Growing battle over demand for private TV channels

The Media

ELGIN SCHROEDER

HELMUT SCHMIDT, the West German Chancellor was horrified. During his summer holidays he had found more time than usual to watch television and said he was "appalled" at what he saw.

It is not clear exactly why Herr Schmidt was so shocked. Was he taken aback by slanted reporting or just by poor-quality programmes presented on West Germany's two national and five regional channels.

In any case, the main criticisms are raised by more and more people these days. American series, repeats of old films—often three or more times over—and, as some feel, biased coverage of events, have combined to blacken the reputation of German public corporation television, once considered second only to the Britain's.

To the Chancellor the remedy for this malaise is simple. He has long pleaded to the nation for less TV-watching and even for a TV-free day. "This would be a boon," he says, "by giving family members a chance to talk to each other."

While Herr Schmidt's fellow Social Democrats do not all go so far as to call for abstinence from TV, they are certainly against more—and competing—programmes, a demand written *in capital letters* on the media policy banner of the opposition Christian Democrat Union (CDU). It strongly favours the introduction of private stations as a supplement to the existing publicly-owned channels, "to provide a healthy diversity of opinion."

More television—that is additional commercial stations—also means more journalistic competitions, the CDU holds. "It would be the best health cure for the old lady German TV," according to Herr Dieter Weirich, CDU media expert, "There is too much missionary zeal, biased reporting and inflated bureaucracy in today's broadcasting stations."

The Social Democrat Party (SPD), on the other hand, warns that the break-up of the 25-year-old monopoly held by the "proven" system would lead to a dramatic drop of standards, to an uncontrolled *explosion of advertising* on television, to excessive TV watching—in short to an "Americanisation of German television in the worst possible way."

In this view it is only half-heartedly assisted by the Free Democrat Party (FDP), the junior partner in the Bonn coalition government. Some leading FDP politicians would like to see the introduction of private channels—albeit established as public bodies—both to promote a wider spectrum of opinion and to boost the electronics industry.

The political row has now reached a new pitch. Since recent events have made it clear that the so-called new media—videotext, viewdata, satellite and cable television—are no longer things of the distant future, but on the threshold, the fight for and against private television is on in earnest.

The situation is further aggravated by the German newspaper publishers' concern about the appearance of new competitors to take a share of the shrinking German advertising market. Trial runs of videotext and viewdata were at first delayed because the publishers, objecting to public networks having a monopoly over these new media, did not want to participate. Finally, they decided to join in—still grumbling—and the trials could begin in summer 1980.

But the newspaper publishers still resent the restricions of public corporation broadcasting. Only the other day Herr Axel Springer, Germany's major newspaper magnate, said: "The dependence of the advertising industry on television is a further argument for allowing the written Press to run private stations. To exclude publishers from the new media would mean, in the last instance, to threaten the existence of the printed word."

Nonetheless, the SPD reacted strongly when the publishers announced earlier this year that they would buy a stake in a *Luxembourg company, Radio* Luxembourg, that intends to broadcast commercial television via satellite into German private households by 1985. Dr Peter Glotz, the party's manager, called the move a "declaration of war" and stressed that the SPD would fight plans which, he felt, would endanger the fine political balance of public corporation television.

Government officials also maintain that participation in the Radio Luxembourg venture will give newspaper publishers—which in Germany have a strong conservative bias—too large a foothold in television. By acquiring a stake in the Luxembourg company, German publishers will gain access to a satellite capable of beaming programmes not only to Germany, but to most of continental Europe, including Belgium, Holland and France.

But it is doubtful whether the Government can stop the publishers. German legislation will not apply to the Luxembourg-based company and even a ban on the sale of special aerials needed to receive the programmes might have little effect.

Partly because of Germany's federal structure it also appears to be impossible to stop the arrival of cable television—although Chancellor Schmidt did his best to try by intervening in the Post Office plan to lay cables in 11 West German cities two years ago. But four cable TV pilot projects—in Dortmund, Ludwigshafen, Berlin and Munich—decided on by the Prime Ministers of the Laender, the federal provincial states, in 1978 are now about to be launched. The CDU-controlled state of Baden-Wuerttemberg has also made clear that it is in favour of introducing private cable television in the region as *soon as possible.*

A recent constitutional court ruling has provided it with ammunition. For the first time the Karlsruhe judges came to the conclusion that private stations could be allowed in Germany, if they were based on Laender laws safeguarding radio freedom. The laws would have to guarantee that domestic programmes reflected the existing plurality of opinion, and ensure "balanced, factual and respectful" reporting.

This ruling seems to have brought the eventual dismantling of the public corporation system one step closer. However, the federal government has warned the Laender not to try to jump the gun. It points out that the court also stipulates that the government should have some powers—albeit limited ones—over who can enter commercial broadcasting and who not.

Fragile signs of recovery as order books improve

Motor Industry

KEVIN DONE

AFTER NEARLY two years in recession a cautious sense of optimism is returning to the West German motor industry. The signs of recovery are still a little fragile, but since the second half of last year new orders have slowly been picking up, exports have been helped by the weakness of the D-Mark, and some life has returned to the domestic new car market.

It is too early to say that the motor industry is acting as a harbinger of a more general economic recovery—as it has often done in the past. New car registrations in the Federal Republic are expected this year to come close to last year's level of 2.43m, however—after a fall in 1980 of 7.5 per cent—and in the two months of July and August car production managed marginally to surpass last year's levels. Overall, in the first eight months of the year vehicle production was still 6 per cent below last year's level, while new car registrations were down by 5 per cent.

The drop of 10 per cent in car production in 1980 bit deeply into company profitability, plunging two of the main volume car makers, Ford and Opel (the West German subsidiary of General Motors), deep into losses and margins are still under heavy pressure. Both Ford and Opel have continued to operate at a loss for much of this year and Volkswagen, the biggest car maker in the Federal Republic, dropped dramatically into loss in the second quarter.

The squeeze on profits is hitting the industry at a difficult time. It is engaged in an ambitious investment programme—running at around DM 10bn in the Federal Republic alone this year—aimed at securing its competitiveness in the fiercely-contested world car market during the first half of the 1980s, and manufacturers accept that they can hardly afford to cut back spending programmes if they are to hold the line against their rivals from Japan, the U.S. and Western Europe.

A large part of the industry's spending programme is being devoted to new model programmes and towards rationalising and streamlining production methods, with expansion of production of capacities playing a very secondary role.

After the scares of the past two years the incursion by Japanese car makers into the German market appears to have been halted, at least for the moment, but every tenth car sold in the Federal Republic is now coming from Japan. The West German car market remains one of the most open in the world and the Federal Government in Bonn has resisted loud calls from sectors of the German motor industry for formal protection measures.

Its calls to Tokyo to exercise "self-restraint" were answered earlier this year, however, by a Japanese undertaking not to increase car shipments to West Germany this year by more than 10 per cent. In the event Japanese imports have taken 10.6 per cent of new car registrations in the first eight months of 1981 compared with 10.4 per cent in the whole of last year.

The German industry has been able to take a rather more relaxed view of Far East imports as Japanese price competitiveness has gradually been undermined by the appreciation of the yen against the D-Mark. German car makers have counter-attacked too by holding their own price increases to a minimum, while improving the specifications of many models, competing more directly with the Japanese in terms of the accessories offered as part of basic model programmes.

West Germany is deeply aware that it would have more to lose than most if the growing wave of protectionism that is sweeping world markets is allowed to develop unchecked. Last year it exported around 54 per cent of its vehicle production, almost exactly the same proportion as the Japanese industry. At the height of the Japanese surge into the domestic car market, some German motor manufacturers did join the protectionist lobby, but the industry has been forced to accept that it must find other ways of meeting the competitive challenge.

Manufacturers bemoan the fact that German car workers put in only around 1,600 hours per man each year compared with around 2,000 hours a year worked by their Japanese counterparts, and they complain that German labour costs are among the highest in the world. Industrial relations in German car plants could still serve as something of a model in Western Europe, however, and the main union in the industry, IG Metall, has repeatedly made clear that it accepts that the industry must rationalise and introduce new technology into the workplace if it is not to be priced out of world markets.

The wage settlement reached in the metal-working industry this year at around 5 per cent might have been well in excess of what motor industry managements ideally wanted to pay but it still meant that workers in the industry accepted a pay package below this year's inflation level.

There is a lot at stake in such arguments. Directly and indirectly the motor industry supports nearly one job in seven in West Germany. The Federal Republic has the strongest motor industry in Europe and is surpassed elsewhere in the world only by Japan and the U.S.

Production in 1980 of 3.52m cars and 357,000 commercial vehicles put it ahead of France (2.9m cars and 440,000 commercials), Italy (1.45m cars and 167,000 commercials) and the UK (932,000, cars and 389,000 commercials). Japan, with its 7m cars and 4m comercial vehicles, and in the U.S. (6.4m cars and 1.59m commercials) are in another league, but then the Federal Republic has a much smaller home market.

To counter this disadvantage as well as to ensure access to other local markets West German producers of both cars and commercial vehicles have made a big effort to establish foreign manufacturing bases. Last year 1.14m cars were produced by German manufacturers abroad, along with 135,000 commercial vehicles. Over the past decade it is foreign-based manufacture that has made all the gains in terms of volume.

Car production in the Federal Republic last year at 3.52m was actually 0.2 per cent below the level reached ten years earlier, while commercial vehicle output was showing a plus of only 13.7 per cent over the decade. In the same period German car manufacture abroad has more than doubled, increasing by 109 per cent, while foreign-based output of commercial vehicles has climbed by 120 per cent in the last ten years.

The main early thrust of the German motor industry's foreign investment was towards Latin America and a series of developing countries which have insisted on some local assembly in return for assured access to the market. In recent years attention has switched much more strongly to North America, however, with both Volkswagen and Daimler-Benz investing heavily to carve a niche in the U.S. market—VW in cars and Daimler-Benz in commercial vehicles.

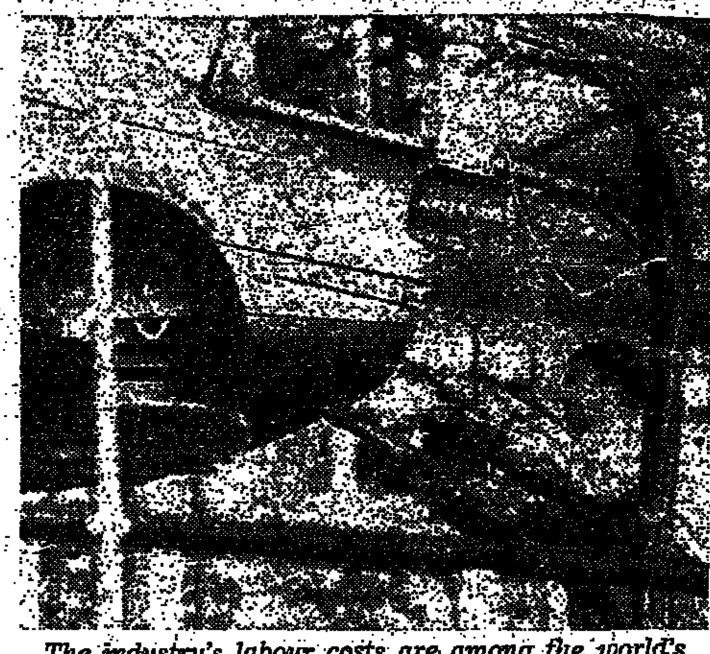
Volkswagen, which is in the midst of a three-year DM 13bn investment programme worldwide is devoting DM 3bn of this effort to expanding its foreign-based activities. Despite serious setbacks over the past 18 months—it dropped heavily into loss in the U.S. last year and this year it has seen its sales collapse dramatically in Brazil due to the turmoil in the local economy—it is still concentrating foreign investment on the Americas.

In the U.S., where it recently had to cut back production levels because of sales problems with its Rabbit (Golf) saloon, it is building a second assembly plant, while in Canada it has just gained agreement from the Government for the setting up of a C$102m components plant to serve its U.S. factories. As in several other countries, VW is establishing a manufacturing presence in Canada in order to get round local tariff barriers against its imports both from West Germany and from the U.S.

Daimler-Benz's strategy for entering the U.S. commercial vehicles market involved a modest start, with the building of an assembly plant for its medium-sized trucks in the 9-14 tonnes range. This year it has moved more boldly into the U.S., however, with the $360m takeover of Freightliner from Consolidated Freightways. Already the world's largest manufacturer of trucks in the range of 15 tonnes and above, Daimler-Benz has acquired a stake of around 10 per cent in the U.S. heavy trucks market as a result of the Freightliner purchase.

While the car market in West Germany has begun to show some signs of life again commercial vehicle activity has fallen to a depressed level. Commercial vehicle production in West Germany reached a peak in the second half of 1980 and then began to drop sharply because of weak export demand in West European markets. This was compounded by an abrupt downturn in the home market reflecting the general recession in the German economy and in particular the growing squeeze on public spending.

The setbacks have been greatest in light commercial vehicles, where manufacturers have found no outlet in foreign markets for excess production. VW has been on short-time working in this sector for much of the year and Daimler-Benz has had to cut back production levels. Heavy truck production, on the other hand, is still booming, chiefly because of very strong demand from overseas markets, in particular the Middle East.

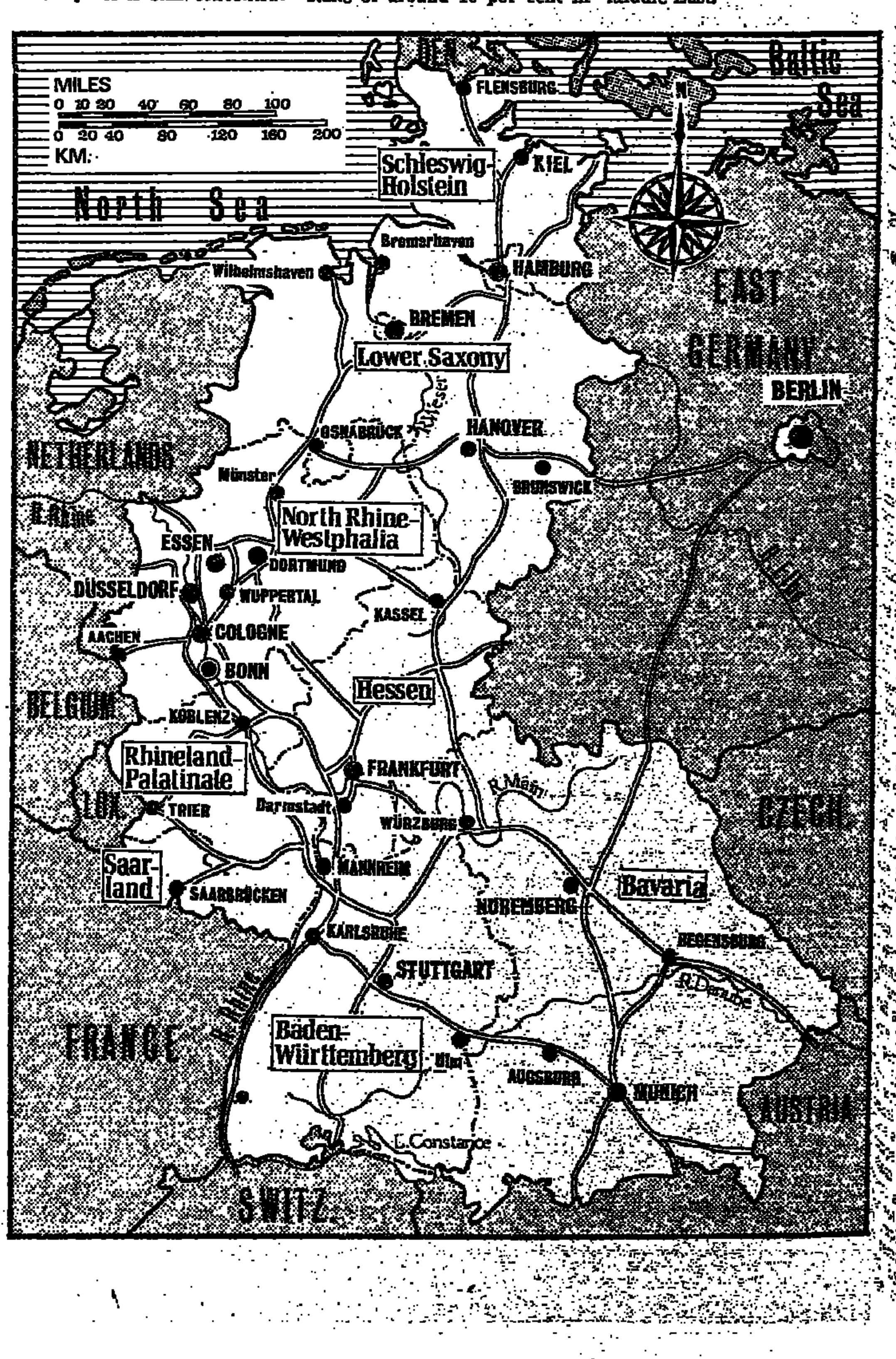


The industry's labour costs are among the world's highest but industrial relations in the plants still are a model for other countries to follow. Nationally the industry supports one job in seven

TOP TEN SELLERS

	1980 Market share per cent	1980 New cars registered	1979 Market share per cent	1979 New cars registered
Volkswagen/Audi	30.3	736,109	31.5	827,208
(Volkswagen)	(21.7)	(526,368)	(22.1)	(580,571)
Opel†	17.0	411,076	18.4	433,328
Ford†	10.4	252,044	11.9	311,921
Daimler-Benz	10.3	249,249	9.3	242,348
(Audi)	(8.6)	(209,741)	(9.4)	(246,637)
BMW	5.7	138,928	5.9	153,923
Citroen/Peugeot/Talbot	4.8	115,655	5.2	136,414
Renault	4.7	113,591	5.0	130,375
Fiat	3.6	87,737	3.7	97,711
Toyota	2.4	58,893	1.2	32,506
Nissan-Datsun	2.1	51,503	1.2	31,979

† Including imports. Source: Federal Automobile Office, Flensburg.



FLEET STREET WARS

There will be life after bingo

By Michael Thompson-Noel

THE BRITISH are not so much addicted to gambling as besotted by it. Hence the insidious attraction of the latest promotional wheeze to have clutched Fleet Street to its bosom—bingo, which along with the more conventional daily fare of the popular Press in Britain—breasts, buttocks, and front-page banners about schoolgirls expelled for kissing —is fuelling one of the most costly and most vicious circulation battles in newspaper history.

Twelve UK national dailies—Daily Star, Daily Mirror, The Sun, Daily Express and Daily Mail—as well as four national Sundays—News of the World, Sunday Express, Sunday Mirror and Sunday People—are now running bingo games in a bid to win readers, though the Daily Mail's game, as befits its middle-market status, is a posher variant called Daily Mail Casino, a form of roulette.

On one estimate, the Fleet Street bingo war is likely to cost a minimum of £10m, perhaps as much as £15m, in prize-money alone, as well as other large sums for printing and distribution of cards, plus promotion.

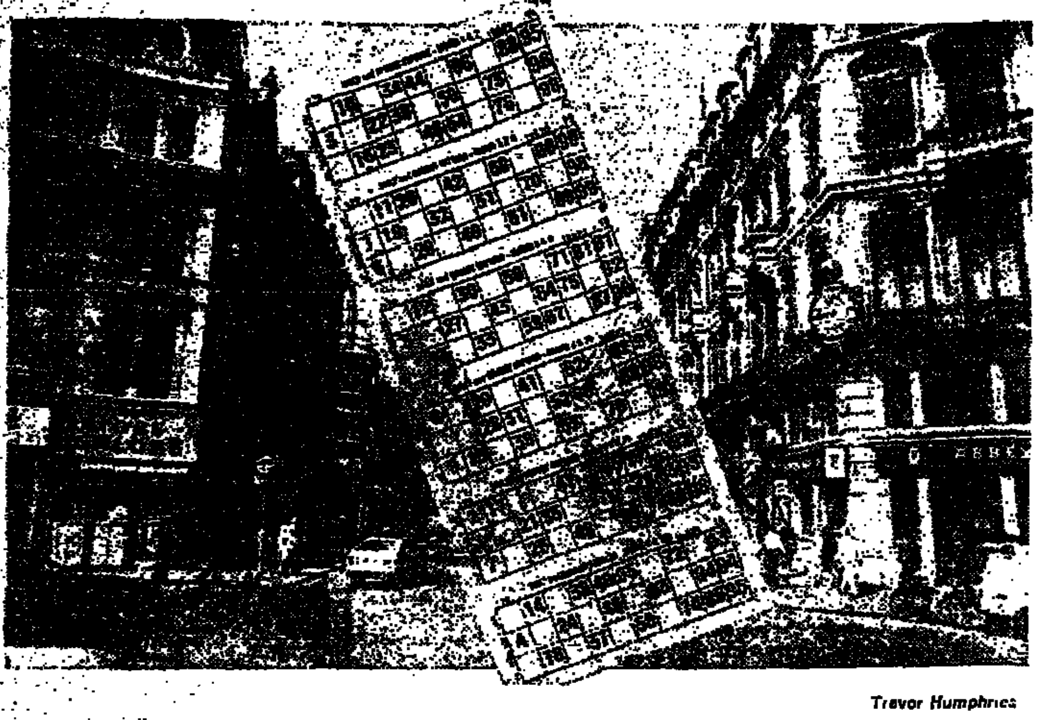
It has already caused a large aggregate increase in circulation of the titles concerned, though if bingo mania lasts well into the New Year, as it promises to, and if stakes are raised, there could be trouble in store. (The gain in circulation is expected to be dissipated the moment the bingo stops.)

For serious questions remain. What, for example, is the bingo war — merely the latest in a series of promotional dog fights between the populars—likely to do to Fleet Street finances?

Although the recession has hit total advertising expenditures far less seriously (with the exception of classified) than might have been expected, Fleet Street is still overmanned, still beset by frightening costs, and still subject to periodic dust-ups with its unions.

In the view of some, the bingo war is merely a sideshow to Fleet Street's death dance, and in any case devalues the Press. Professor Jeremy Tunstall, professor of sociology at London's City University, says that if people are ready to buy newspapers for bingo, they'll drop them when it stops.

Publicly, the men who run the



Trevor Humphries

Express Newspapers, which was first aboard the carousel by launching bingo in the *Daily Star* last June 15, is now running Master Bingo in the Star, Daily Express and Sunday Express. Billed as "The Greatest Bingo Game in the *World*," Master Bingo offers prizes worth £1.2m. Each game—there are 24 in all—runs for a week and offers a £50,000 prize. There *is also something called* a Bingo Bonus, worth £5,000.

At News Group, the Sun and News of the World are running Bingo Bonanza, with prize-money totalling £1.3m.

As the Sun told its readers last week: "We've smashed the world record, folks."

Across at Mirror Group Newspapers, the Daily and Sunday Mirrors are running Mirror Bingo, with combined prize-money *of* £40,000 a *week,* while there is a £10,000-a-week game in the Sunday People.

As the Star showed almost at once, bingo can provide a powerful boost to circulation.

Last November, it test-marketed bingo on Merseyside, and tried it in the Midlands, North-East, and Wales, before *launching the game* nationally on June 15. From a level of 1,336,116—its average daily circulation for the first half of this year—sales soared to a peak of 1,585,790 in June alone, and are said to have stayed at approximately that level.

The Sun also introduced a bingo game nationally last June, and has added about 400,000 copies. Between the first half of 1980 and the first half of 1981, its average daily sale fell from 3,837,215 to 3,622,720. But in September, it says, its average daily circulation — bingo-inspired — rose victoriously to 4,170,000 (the figure is subject to audit).

As for Mirror Group, which held aloof from the bingo fray until last month, the Daily Mirror's average circulation over the first half of this year showed a 4 per cent fall, to 3,504,377. Since joining in, says its chief executive Mr Douglas Long, things have changed. Sales of the Daily Mirror last week, he says, were approximately 300,000 copies higher than they would otherwise have been.

Press are enthusiastic about their new-found toy. Privately, they harbour doubts. According to one executive: "Bingo is all I ever seem to talk about: bingo, bingo, bingo." Another said: "Off the record, the whole thing's madness. Trouble is, you have to join in, can't afford not to. The *Star* started it and the rest were sucked in. Now the Mail's had to dream up an even fancier game. If you look *further up* the ladder you'll see that even the Tele—this is *strictly* off the record—even the Telegraph is starting to feel a draught."

The Telegraph denies this. It says there is no pressure on its circulation, apart from recent and limited resistance to its price rise (from 15p to 18p) and that it has no interest in joining in. (The prospect of Telegraph readers playing housey-housey is in any case somewhat quaint.)

At Express Newspapers, Mr Jocelyn Stevens, deputy chairman and managing director, *waxes lyrical on the subject of* bingo, hailing it as "the most dramatic and effective newspaper promotion there's ever been."

He says it is starting to be introduced abroad because of its "startling results" (in New York, Mr Rupert Murdoch's New York Post, and the rival Daily News, are attempting to *knock yet more spots off each* other with "zingo," "wingo" and "super zingo"); that it pleases retailers; and that the money the group is spending on bingo, *mainly on printing* and distributing the cards, will be counterbalanced by savings on television advertising. Bingo is a wonderful opportunity, Mr Stevens has said, "For our reporting to catch the eye of new readers."

At Mirror Group, chief executive Mr Douglas Long says that the bingo game in the Daily and Sunday Mirror, plus Sunday People, is costing £2m-£2.5m in all, but claims that the bingo war has created "a huge new market." He says that on an annual basis, and at current costs and cover price, 100,000 extra copies on the sale of the Daily Mirror produces £1.5m extra profit.

"Are the readership gains temporary? In a year's time I guess we'll probably be back where we started, but we won't have lost anything. Anyway, you can spend millions and millions on TV advertising to protect market share, and not really know where you are. With bingo, your promotional results *are instantly to hand.*"

On some estimates, the circulation gains of the titles involved will just about pay for the prizes and cost of mailing bingo cards to millions of homes, provided the prizes don't escalate. The pops spend millions on promotion anyway. The key will undoubtedly be to what extent circulations fall back again once the bingo stops, and whether brand shares have changed in the interim.

Inside News Group, which publishes The Sun and the News of the World, there is a firm commitment to bingo until well into the New Year. Indeed, it is claimed that bingo is proving a net contributor to profits at The Sun, though the position at the News of the World is complicated by the launch costs of its new Sunday magazine.

For the year to June 30, 1981, pre-tax profit of News International, the parent group, were £26.12m, against £28m last year. The group as a whole, *said chairman Mr Rupert Murdoch, had been losing money* since the start of May—caused by increased competition for The Sun, the launch of Sunday magazine, and continuing deficits *at Times Newspapers.*

For some, the bingo war is just another manifestation of Fleet Street's preoccupation with sales-gains-at-any-cost, as opposed to improving its editorial product, eliminating over-manning, and eradicating the restrictive practices that so bedevil its workforce.

On a different though related tack, many media pundits wonder whether Fleet Street's current obsession with colour magazines—there are five at present, with others planned, *all of them jostling for limited* revenue—isn't another potential headache.

As Mr Harold Lind, an economist and consultant, put it recently, *you might imagine* that at a time of recession, and with few titles trading profitably, Fleet Street hardly needed risky new ventures like colour magazines.

But there seems more of an economic case for the new magazines than meets the eye. To support his case, Mr Lind produced figures for colour supplement advertising pages for the first quarter of four of the past five years, the exception being 1979, when the Sunday Times was closed down.

The 1981 figure of 1,788, he said, was "amazingly good—only 10 per cent lower than the corresponding figure for the first quarter of 1980, when the colour supplements were still benefiting from the aftermath of the ITV strike the previous autumn, and more than a quarter higher than in the first three months of 1978, which was a very good year for advertising."

There are some who feel that the relatively boom-like conditions in UK display advertising at present is a lull before the storm. But Mr Lind does not accept that, and nor does the Advertising Association.

By the second half of next year, says Mr Lind, the demand for advertising should be moving upwards again.

In any case, there seems to be a benign force at work in the Street of Sighs. Crises come and go—the profits mostly go—while its obituary is constantly re-penned. But there will be life after bingo.

Lombard

Choosing a new Bank Governor

By Samuel Brittan

WITH THE Governor of the Bank of England, Mr Gordon Richardson, now in the second half of his second term (which expires in 1983) a decision on his successor cannot be that far away.

A Conservative Government is under temptation to pick a leading figure from the City or business. But, like it or not, the primary concern of the Bank of England is monetary policy. A new Governor without expertise here, so far from being the new broom that ministers might like, would find himself at the mercy of staff advisers.

It has been difficult, for instance, to listen to Dr Otmar Emminger, former president of the Bundesbank or perhaps Mr Paul Volcker, chairman of the *Fed, without a slight feeling of* unease that recent British Governors have not been — for all their presence and dignity—in quite the same league.

Emmingers and Volckers do not grow on trees. But there are still promising people. The following four names, which are suggestions and not predictions, are presented *alphabetically.*

The outstanding choice from within the Bank, would be **Eddie George.** He is both a good practical economist, able to discuss subjects like the sterling balances without undue reverence or obscurity, and a successful operator who has been promoted quickly to a post equivalent to *that of Chief* Cashier. He has been scrupulously loyal and articulate in presenting the current Governor's arguments against *innovations such as index bonds* inside Whitehall. But whichever way the decision has gone he has carried it out efficiently in the market place.

The second suggestion is an interesting dark horse: **Sir Philip Haddon-Cave.** Until recently Financial Secretary of Hong Kong, he is now Chief Secretary of that colony. He has thus been in charge of one of the world's most successful free enterprise economies and thriving currencies. But he has also been at the receiving end of all the problems of sterling. He has the demeanour which the Tories would want of a Bank Governor, but also the abilities. Anyone who heard him more than holding his own on "currency overshooting" at a dinner table of academics will readily testify to this.

The third suggestion is **Peter Middleton,** the Treasury Deputy Secretary in charge of fiscal and *monetary affairs and* — by no means the same thing — a monetary expert as well. He is unusual too in his preference for initiating and pushing through ideas rather than annotating papers from below. He is also good in front of Parliamentary Committees where he does not hide behind ministerial apron strings. He is not only Mrs Thatcher's favourite Treasury official — he was also Mr Denis Healey's. Indeed the former Chancellor used to make detours to visit his office. He has some very *non-Right-wing* notions on the appropriate contribution of the oil and housing sectors to national finance.

Fourth, only in alphabetical terms, is **Gordon Pepper,** joint managing partner of the broking firm of Greenwells. His monetary commentaries, which started long before the subject became fashionable, are celebrated. Mr Pepper has insisted on going behind the monetary aggregates to see what they really mean; and unlike some academics he has always been concerned about the stability of financial institutions. It was he rather than any bankers who was asked last week to explain the new monetary control system to a bankers' gathering. As a professional with decided views, he can be a little relentless; but this will be a fault on the right side.

There are arguments against all these four men which illus-trates everything that is archaic, but unattractively so, about British society. It will be said that Mr George, who is in his early 40s is "too young" and that a Civil Servant or stockbroker or member of the Colonial Service should not be made Governor. This merely means that they belong to the wrong trade union.

It would be good to conclude that these four people are but a few examples of the kind of person required. In fact they cover a large proportion of the *total field.*

Letters to the Editor

Auditors' accountability

From the President, The Institute of Chartered Accountants in England and Wales and the President, The Chartered Institute of Public Finance and Accountancy

Sir,—On Tuesday October 13 you carried a report of a press conference given by the Institute of Chartered Accountants about the Government's proposals for an Audit Commission.

We wish to make it clear that from both the private and public sector arms of the profession there is no fundamental disagreement between us about our attitudes to the Government's proposals. If an Audit Commission is to work at all it must be, and be seen to be, *independent of the central* government. Otherwise the credibility of the auditor will be gravely damaged.

For this reason we jointly *oppose* any suggestion that the Secretary of State should retain any reserve powers over the proposed Commission and we believe that the Commission should act independently of any particular interest group.

Harry Singer,
President ICAEW.
Eric Cobb,
President CIPFA,
Chartered Accountants' Hall,
Moorgate Place,
EC2.

Rumour mongers beware

From Mr G. C. Musson.

Sir,—I hope that the Council for the Securities Industry will now turn its attention to formulating a set of rules for the propagation of rumours, together with a helpful set of guidelines for those dealing in rumours. It is clearly unfair that holders of securities, perhaps away from their telephones, do not have the opportunity of dealing on or in rumours when other holders, through sheer fortune, are able to do so in the relatively short *period between production of* the rumour, at (say) 9.30 am, and its denial later in the day.

In the meantime, may I suggest that all rumours should be permitted to circulate freely for five trading days before denial and that particularly vicious rumours should be subject to the production of a prospectus in the normal way.

G. C. Musson.
Penbury Woods,
Witheridge Lane, Penn,
Buckinghamshire.

Express buses run on profit

From the Deputy Chairman and Chief Executive, National Bus Company

Sir,—I refer to the report by Lynton McLain in your issue of October 15 under the headline "Passengers The Chief Winners In Bitter Fares War."

I see that Geoffrey Steel of *Wallace Arnold Tours is* reported as having pursued the old canard that National Bus Company's National Express coach operations are run at a loss. This simply is not true.

An examination of the annual report and accounts of the National Bus Company for 1980 published in June this year shows, at paragraph 81, that the National Bus Company as a whole benefited to the tune of £3.1m from its operations on Express services during the year. It is confidently expected that this surplus will be substantially exceeded during 1981.

As your report makes clear, National Express is not a separate company but a marketing name for the Express services operated by the various subsidiary companies within the group. It follows from this that in operating express we are in a position to make use of shared facilities in terms of both staff and infrastructure.

Because National Express is only 7 per cent of our total business, it will be clear to anyone with a knowledge of commercial practice that we must have a considerable advantage compared with operators for whom express business represents a greater proportion of their total turnover.

The implication from Mr Steel's remarks is that sums provided by local authorities for stage carriage bus operations are supporting National Express.

In truth the situation is that *the contribution made by* National Express to the well-being of the National Bus Company helps to support stage carriage services and to reduce the requirement for revenue support for those services. We are proud of our record in the utilisation of assets and we are delighted that extra profitable business on our Express service has helped to support the network of local buses we are striving to maintain.

Robert Brook.
25, New Street Square, EC4.

Advertising for the ratepayers

From Mr F. Stark.

Sir,—"What is Whitehall up to?" asks the Association of Metropolitan Authorities in its full page advertisements in almost every daily newspaper. It argues against Government attempts to curb excessive Council spending, and it pleads *for Councils* to have complete freedom to spend what they like and levy what they like in rates.

The fact that they can waste ratepayers' money *on such* advertisements is evidence that the Association of Metropolitan Authorities and many of the Councillors it represents are unfitted to be trusted with the power to levy unlimited rates.

"There will be no point in appealing to us" their advertisement says.

There seldom is any point in appealing to them to keep the rates down. More power to Mr Heseltine if he can force them to do so.

F. Stark.
176, Southend Road,
Wickford, Essex.

Help for disabled

From Professor J. C. Marsden.

Sir,—One way out of the problems *preventing disabled* people being employed might be to ensure that as many disabled people as possible had access to education and training *which would allow* them to compete more effectively in the employment market. Many jobs, particularly in Central London, are perfectly capable of being carried out by disabled people; one way to secure an advantage over the able bodied would be to provide disabled people with a higher level of, eg office skills. If it were generally recognised that disabled people were then capable of offering a higher standard of service, surely the liability argument would be diminished?

J. C. Marsden,
Head of Life Sciences,
The Polytechnic of Central London,
115, New Cavendish Street, W1.

Hidden tax on food

From Mr J. Faulkner Irving

Sir,—On October 11 two of your correspondents wrote regarding the taxation on food, one complaining about the tax on ice cream, the other saying that it might be desirable to tax certain foods which may be considered luxuries. I would like to know why your correspondents failed to mention the meat tax. Probably because, like most people in this country, they do not know of its existence. I refer to the £5m per annum levied by the Meat and Livestock Commission on all home-killed meat eaten in this country.

If the housewife, who ultimately pays this tax, is unaware *of this* very expensive quango the meat trade is very much aware of it and with the difficulties of many abattoirs to survive, this very expensive quango *should be abolished forthwith.*

I have no doubt that one of the Commission's highly paid public relations officers will reply saying how very necessary it is that the Commission should continue levying this tax and I might just be able to understand his anxiety.

J. Faulkner Irving.
Eaton House,
Eaton-upon-Tern, Shropshire

Dog licences

From Miss K. E. Mcnse

Sir,—How insensitive of Mr Farmer to suggest a dog licence equivalent to a month's salary? Has he no thought for the elderly and/or lonely whose pet dog is very often their sole source of companionship and comfort and who could never afford the £500 he has in mind. Mr Farmer should remember that it is not the responsible dog owners who allow their pets to foul our streets but the thoughtless minority who allow theirs to roam free without regard for their welfare. Incidentally, I am quite sure that far more rubbish is deposited on our streets by so called civilised human beings, than is ever put there by dogs. I feel sorrow for the dogs and their owners in Russia, and much *relief that this is still a free* country.

K. E. Mense.
14 Oakcroft Road, SE13.

Austria's answer

From Mr A. W. Freud

Sir,—Austria's answer to inflation (letter by Mr Alderson October 15). If Britain had been reduced to a small area around London in 1919, if Devon and Cornwall had been annexed and half a dozen hostile replics had been set up in the rest of the country, if there had been two periods of starvation within living memory, if four enemy powers had occupied London in 1945, then in all probability Britain too would have learned the lessons necessary for economic growth *and low inflation.*

A. W. Freud.
"Stonehammer,"
Woodhurst Lane, Oxted, Surrey.

Burnett £30m deal boosts coal reserves

BY CARLA RAPOPORT

THE YEAR-LONG string of acquisitions by **Burnett and Hallamshire**, the UK coal, oil and property group, has been topped with the largest bid to date. B and H intends to acquire **Anglo International Mining Corporation** in an agreed bid worth £29.8m. The deal would also give B and H a 51 per cent stake in Rand London Corporation, the South African mining group, and boost B and H's world-wide coal reserves by 70 per cent to some 800m tonnes.

Anglo International, registered in the Netherlands, is a holding company with mining and civil engineering operations mainly in the UK and N. Ireland. It also has mining interests in Kentucky. The company is expected to report pre-tax profits of £3m on turnover of £15m for the year ended June 30, 1981.

In its bid for the capital of Anglo, B and H is offering one ordinary share of 25p for every nine preferred A ordinary or nine preferred B ordinary of Anglo, and one ordinary for every 10 ordinary restricted shares of 20p each of Anglo. B and H has undertakings representing 57.1 per cent of the voting rights of the company. If the remainder accept, B and H will issue a total of 3.3m ordinary shares or 22.6 per cent of its enlarged capital.

B and H shares are valued at 900p in the offer, 10p less than Friday's closing price.

The offer is conditional upon Anglo acquiring a further 29 per cent holding in Rand from Brint Investment Holdings. The board of Brint has said it will be recommending this sale to its shareholders. Under the deal, Anglo will issue 7.8m preferred A ordinary shares of 20p each, valued at £1 a share, to Brint in return for 3.9m ordinary shares of 15 cents each of Rand. This will lift Anglo's stake in Rand to 51 per cent.

If successful, B and H's bid for Anglo will bring the total value of its acquisitions since January to about £67m. Most of the deals include deferred payments or stock swaps and the company says it has only paid out about £10m in cash since January. The group raised £11m in a rights issue last year.

As a further condition to the deal, B and H has asked for a confirmation of a forecast of not less than £4.1m in pre-tax profits for Anglo's year ending June 30, 1982, excluding any contribution from Rand. The new ordinary shares to be issued by B and H will not rank for the company's interim dividend to be declared in December.

Mr George Helsby, chairman and chief executive of B and H, said yesterday that he did not expect to see any dilution in earnings per share this year. "We expect to see an improvement at the year-end, if all goes well," he said.

If the Anglo deal succeeds, net tangible assets per share, consolidating the Rand assets, will jump to 544p per share on the expanded capital, against 350p per share as of last March.

Asked if the company would now pause in its one-a-month acquisition pace, Mr Helmsby said: "Frankly, no." He said a £5m deal to acquire a private UK company will be announced shortly.

B and H is being advised by Brown Shipley in the negotiations.

BARRY RILEY DISCUSSES THE ED29 PROPOSALS

Important commercial issues raised

"This is a subject," said Mr Tom Watts, chairman of the Accounting Standards Committee, "which year by year has needed attention more and more." He was speaking last Friday, introducing the ASC's new draft accounting standard on leasing and hire purchase. It is being published as exposure draft number 29.

Those interested in the subject now have six months in which to make submissions to the ASC. At some stage there are likely to be public hearings. If all goes smoothly the full standard may come into operation by the end of 1982.

All may not go smoothly, however. It has taken six years for the ASC to produce ED 29. It is regarded as being the most controversial draft standard for some time, perhaps since ED 24 on current cost accounting. This is because it raises a number of important commercial issues, although in accounting terms it is relatively straightforward.

Leasing has grown spectacularly in Britain as a form of industrial finance. In the past five years the volume of annual leasing business done by members of the Equipment Leasing Association has risen from £421m to £2,359m.

Whereas in many other countries leasing is a comparatively expensive form of finance, in the UK it is relatively cheap. This is because generous 100 per cent first year tax allowances are available to purchasers of equipment, including lessors, and this is widely used by banks and other non-industrial companies as a means of sheltering their profits from corporation tax. Much of this tax benefit is passed on to lessees, who are often industrial companies unable to make use themselves of tax allowances.

What has worried the accountants has been that leasing has become an important form of quite long-term finance for industrial assets, whereas conventional accounting practice still treats leasing like temporary plant hire. Rentals are charged as they are incurred, but there is usually *no recognition* in the balance sheet either that there are fixed assets in place or that there are liabilities for future rentals.

ED 29 therefore seeks to define *finance leases* and distinguish them from the shorter term *operating leases* which are generally regarded as those in which the same piece of equipment is hired out successively to *different lessees*.

Legally, a lessee can never own an asset in the way that a hire purchaser will eventually at the end of the agreement. In practice, however, there are devices—such as rental rebates from the second-hand sale proceeds of the equipment at the end of the lease—which can transfer substantially all the risks and rewards of ownership to the lessee.

So the ASC has sought to bring accounting for finance leases into line with accounting for hire purchase agreements. It is thought that companies must account in a way which recognises substance rather than form.

This means that companies will have to capitalise the asset and the rental obligations in their balance sheets. At the same time the standard lays down detailed rules for the way in which lessees and lessors should account for rental payments and corresponding interst charges.

The ASC argues that the new system will make balance sheets more meaningful for analysts and other accounts users. Reported assets will not depend arbitrarily on whether plant and equipment is purchased or leased. Calculations of returns on capital employed or gearing ratios should be possible on a more comparable basis in future.

The proposals will avoid any possibility of the repetition of scandals like that of Court Line, which crashed in 1974 in circumstances which led to the appointment of Department of Trade inspectors and the highlighting of huge off balance sheet commitments which had never been recognised in the accounts.

However, there is also serious opposition to the ASC's capitalisation proposals. Giving evidence in respect of a similar leasing ED by the International Accounting Standards Committee early this year, the Equipment Leasing Association expressed a preference for the simple disclosure of liabilities in notes to the accounts rather than full capitalisation.

The ELA has a standing committee on taxation and accounting, and two leasing representatives have been involved in drawing up ED 29, though concerned mainly with its income effects. The ELA is planning to present its views at a Press conference on November 25.

There are three main fears by the leasing industry and their customers. One is that bringing the finance on to the balance sheet will increase pressures on companies which are close to their borrowing limits, and may effectively reduce their borrowing abilities.

Secondly, there is concern that ending the off balance sheet attractions of leasing finance will lead to an overall reduction in investment by companies. The strict new standard could therefore cause economic damage.

Thirdly, some leasing companies appear to be anxious that the standard will highlight some of the present anomalies whereby tax allowances often go to banks rather than to the companies actually operating the assets. It is feared that the incentives might be switched back to the industrial companies, perhaps in the form of grants.

The ASC claims that in its discussions so far it has not come up against any solid evidence that such dire consequences would follow. But the ASC strongly believes that such points must be brought into the open for discussion and debate.

It is said to be the first time that the ASC has found it necessary to call explicity for comments and submissions on possible economic consequences of a standard.

If there is widespread resistance to the future operation of the standard the ASC faces the possibility that companies and finance houses could try to get around the rules by blurring the distinction between operating and finance leases. In the U.S., where a roughly similar accounting standard applies, complicated schemes have been devised so that finance can be kept off the balance sheet.

However, the ASC appears ready to consider ways of reducing the initial impact of the standard by allowing a transition period of several years before full capitalisation would be insisted upon, at any rate for existing leases.

The sudden disclosure of extra liabilities could pose serious problems for some hard-pressed industrial companies in the middle of the recession. It may be that banks are not always made fully aware of the off-balance sheet commitments entered into by their customers.

On the other hand a number of organisations have already adopted the capitalisation policy. For instance, British Airways and BL capitalise in the nationalised sector, and Dunlop and United Biscuits are examples in the private sector of industry.

Erskine makes £0.4m loss but in profit this year

FOR THE year ended March 31, 1981 **Erskine House Investments** has made a pre-tax loss of £442,384, against a profit of £46,044 previously, on turnover increased from £14.56m to £15.36m.

Stated full-year loss per 25p share of this investment holding company was 14.43p (2.24p earnings) and no dividend is being paid for the period. Last year, an interim of 1p net was followed by a 1.18p final.

Since the end of March, however, a major restructuring of the company has taken place and Mr Graham Dowson, the chairman, says these changes have reflected themselves in the immediate return to profitability of the group.

"Your company is now a substantially trimmed down operation. We have two well managed operating subsidiaries which are *now both represented on the* main board and which will, we believe, produce continuing profits in the future," Mr Dowson states.

He adds that head office expenditure has been reduced following the termination of the contracts of Mr W. H. Bishop and Mr P. J. Paterson, who resigned in April and June this year respectively. The seven-year service contracts of these two directors have been settled on payment of approximately one year's salary to each.

The 1980-81 year's loss is shown after charging this time £66,967 for compensation for loss of office. Head office overheads totalled £136,143 (£78,943).

Losses from sun tanning rose sharply from £50,673 to £296,832, while profits from bureaux de change dropped to £105,596 (£208,530). Security services, however, recovered from a deficit of £46,325 to a profit of £123,652.

The group has disposed of Erskine Uvasun, which in future will operate on a joint venture basis with Uvasun Centres, and an extraordinary debit of £275,000 for the year represents the provision against the anticipated losses on the disengagement from this operation.

FT Share Information

The following securities have been added to the Share Information Service:— **Japan Assets Trust** (Section: Trusts), **London Shop Property 6½ per cent Conv. 1984** (Property), **Do. 9 per cent Conv. '94/99** (Property), **Stockholders Far East Invs. Inc.** (Trusts).

SPAIN

1981 High	1981 Low		Oct 17 Price %
388	251	Banco Bilbao	351
395	280	Banco Central ...	338
436	229	Banco Exterior ...	310
346	239	Banco Hispano ...	315
128	118	Banco Ind. Cat. ...	118
410	384	Banco Santander...	389
249	148	Banco Urquijo......	240
404	263	Banco Vizcaya ...	372
286	204	Banco Zaragoza .	232
223	82	Dragados	173
81	45	Espanola Zinc	74
74.2	56.5	Fecsa	70.2
65	22	Gal. Preciados ..	51.5
88	63.5	Hidrola	76
62.5	52	Iberduero	56
128.7	70	Petroleos	105.7
85	70	Petroliber	83
102	51	Sogefisa	51
90	60	Telefonica	79
82.5	60	Union Elect.	73

Johnstone's Paints for USM

Johnstone's Paints, the Manchester paint and varnish group, is coming to the Unlisted *Securities Market* by way of a placing of 1.575m shares, 15 per cent of those issued, at 63p per share.

The company sells its products mainly to the trade from 10 sales depots in major English cities. In addition to paints and varnishes, Johnstone also sells a wide range of supplies, including paint brushes and rollers, strippers, fillers, wallcoverings and adhesives. These account for about 8 per cent of sales.

The balance sheet at May 30 1981 shows £4.35m in net tangible assets of which £2.1m are fixed. Net cash balances amounted to £1.5m but have since risen to £2.05m.

The placing is being made to enable certain shareholders to realise for cash some of their *shares and create a market for* them. The shares in the placing are being provided by members of the Johnstone family.

Johnstone is forecasting that profit before tax in the current year will be not less than £1.55m or £1.43m on a CCA basis. No *dividends have been paid in the* past five years but the directors intend to recommend a final of 1.765p in respect of the current year. If the company had been public for the full year it might also have paid an interim of the same amount.

The placing is being made by the company's brokers, Capel-Cure Myers.

● **comment**

The old saw about clogs to clogs in three generations is certainly wide of the mark when it comes to **Johnstone's Paints**. The third generation seems to have found new reserves of energy recently, raising the company's market share from 2 to 3 per cent in the past five years and aiming for more. Unlike most *paint manufacturers, Johnstone's* has also managed to increase its profits in the past two years despite the recession. This is due largely to concentration on direct sales to contractors at decent margins rather than suffering the severe price-cutting that afflicts the retail trade. With its substantial cash reserves, the group is well placed to expand its depot network to service con*tractors, probably at the rate of* one every two years. At the placing price, the shares are being offered on a prospective fully taxed p/e of less than 9 and a notional yield of 8 per cent and should move to a small premium when dealings begin next week.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: A. F. Bulgin, Gerrard and National, Marks and Spencer, Mothercare, New Throgmorton Trust.

Finals: B.P.M., Bryant, Wellco.

FUTURE DATES

Interims—	
Atkins Brothers (Hosiery) ...	Dec 1
Canadian and Foreign Inv. Tst.	Oct 27
Feb International	Oct 26
Hill (Philip) Investment Trust	Oct 29
Miller (F.) (Textiles)	Oct 23
Slingsby (H. C.)	Nov 11
Finals—	
Linread	Oct 30
United Wire	Dec 3

LOCAL AUTHORITY BOND TABLE

Authority *(telephone number in parentheses)*	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	14¼	½-year	1,000	1-3

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB — Telephone 01-621 1212

£000's capitalisation	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
1,094	ABI Hldgs. 10pc CULS	110	—	10.0	9.1	—	—
4,052	Airsprung	70	+3	4.7	6.7	11.1	15.4
1,100	Armitage and Rhodes...	44	—	4.3	9.8	3.7	8.3
11,792	Bardon Hill	193	+3	9.7	5.0	9.4	11.4
7,462	Deborah Services	97	—	5.5	5.7	4.8	9.1
4,312	Frank Horsell	115	+3	6.4	5.6	10.4	25.0
8,868	Frederick Parker	60	+1	1.7	2.8	26.1	—
923	George Blair	50	−1	—	—	—	—
3,899	IPC	96	—	7.3	7.6	6.9	10.4
2,404	Jackson Group	95	−2	7.0	7.4	3.0	6.7
14,906	James Burrough	108	−4	8.7	8.1	7.8	9.9
2,907	Robert Jenkins	285	−5	31.3	11.0	4.0	10.1
2,580	Scruttons "A"	53	−1	5.3	10.0	8.2	7.6
2,877	Torday	†	—	15.1	8.1	7.2	12.4
2,778	Twinlock Ord.	13	+1	—	—	—	—
2,075	Twinlock 15pc ULS ...	76	+1	15.0	19.7	—	—
5,188	Unilock Holdings	34	−1	3.0	8.8	6.1	10.3
10,847	Walter Alexander	84	—	6.4	7.6	5.5	9.8
5,251	W. S. Yeates	226	−1	13.1	5.8	4.3	8.7

† Suspended.

THE TRING HALL USM INDEX

109.0 (−0.4)

at close of business 16/10/81

BASE RATE 10/11/80 100

Tel: 01-248 5675

CORAL INDEX

Close 460-465 (−9)

INTERNATIONAL BONDS

BY ALAN FRIEDMAN

Rally falters under weight of paper

"THE RALLY has been hit squarely on the head by over-enthusiastic new issue managers who launched a large amount of paper rather too quickly." These were the words of a London-based bond trader on Friday, commenting on the flow of $650m in fixed interest issues which hit the Eurobond dollar market last week.

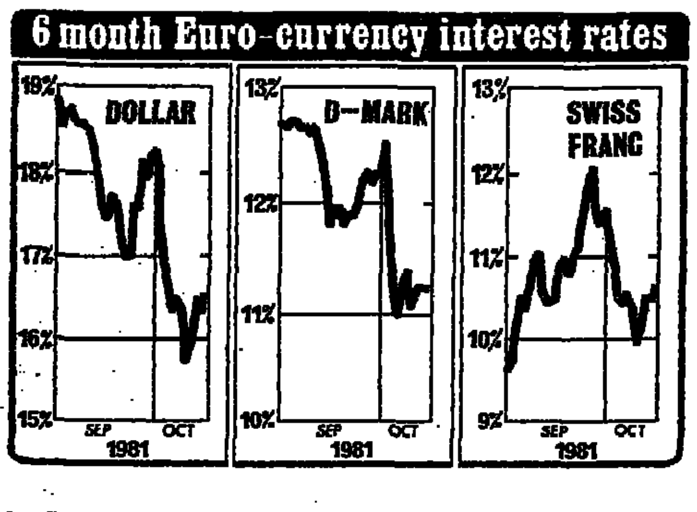
Yet, the same bond trader—and others — also admitted that with a few exceptions the new paper was "going rather well." Was the rally killed off last week, or was it merely dampened by a less exuberant market which had second thoughts about the fall in interest rates?

The indications were that the secondary market, particularly in seasoned issues, was reacting in a normal manner to the $1.4bn of new straight Eurodollar bonds over the past fortnight. As more and more borrowers came to the market with reasonably attractive coupons averaging 16½ per cent, buying interest continued to be strong, especially from Switzerland.

Meanwhile, there was evidence of significant swapping of older paper for new, and this naturally made for a less buoyant secondary market. Added to these market reactions was a renewed sense of uncertainty about short-term U.S. interest rates.

This having been said, it was not at all a poor week for the dollar sector. On Monday the $150m three-year issue for General Motors Acceptance Corporation was doubled by the lead-manager, Morgan Stanley, and the market seemed to be swallowing the additional paper at 16½ per cent and priced at 99¾ to yield 16.612 per cent. By Friday the GMAC bonds were all sold, and the bid price was 98¾ in pre-market trading.

The $50m seven-year issue for Ohio Edison was increased to $75m and Morgan Stanley announced the coupon was being cut from 17¾ to 17½ per cent. A third new issue, the $75m seven-year bonds with warrants for Banque Francaise du Commerce Exterieur at 16 per cent, had its volume increased, to $100m.



A $100m floating rate issue for the Bank of Montreal was also increased, to $125m on Friday. The 10-year notes carry a minimum 5¼ per cent coupon and a ¼ point spread above the six-month London inter-bank rate.

An interesting $100m floating rate deposit is being arranged for the Oesterreichische Kontrollbank (OKB) through Orion Royal Bank. This offer is a five-year proposition with an option for the investor to redeem at par every six months, making it akin to a money market instrument.

Nafinsa, the Mexican financing agency, has launched a $150m floating rate note with a nine-year life. These notes are redeemable by the investor every three years at par.

The D-Mark foreign bond sector was encouraged by the cut to an 11 per cent special Lombard rate early last week, but uncertainty over interest rates and a weakening D-Mark led to an overall decline in prices by the close on Friday.

The two new issues, already noted in the D-Mark calendar, came to the market last week as the OKB launched a DM 150m 10-year issue with a 10¼ per cent coupon and the Mortgage Bank of Denmark issued a DM 100m 10-year bond with a 10½ per cent coupon.

An issue of between DM 100m and DM 150m is expected today for an unnamed "industrial borrower" through Deutsche Bank; this is also part of the calendar set by the West German Capital Markets Subcommittee.

The Swiss franc foreign bond market followed the position of the currency against the U.S. dollar nearly every day last week and Friday's close was ¼ point down on the seven-day period.

Today sees the announcement of a SWFr 80m issue for the Asian Development Bank through Credit Suisse. The last Euromarket issue for the ADB came three weeks ago with a DM 100m offer through Deutsche Bank.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer Yield %
U.S. DOLLARS							
‡Ohio Edison NV	75	1988	7	17½	99¾	Morgan Stanley	17.565
‡††B.F.C.E. (g'teed France)	125	1988	7	5¼	100	Sumitomo Fin. Int., BNP	5.319Φ
†Ireland	100	1988	7	5¼Φ	100	Manufacturers Hanover	5.319Φ
†Bank of Nova Scotia	100	1993	12	5¼Φ	100	CSFB	5.319Φ
†Nordic Intl. Fin. BV	40	1991	10	5½Φ	100	CSFB	5.576Φ
‡GMAC	300	1984	3	16½	99¾	Morgan Stanley	16.612
‡Anheuser-Busch	100	1988	7	16½	99½	Dillon Read	16.626
‡Ireland	75	1988	7	16½	99¾	Merrill Lynch	16.563
§Wal-mart Stores	50	1996	15	8½-9	100	Morgan Grenfell	*
‡Brit Columbia Hydro (g'teed Brit. Col.)	100	1988	7	16¼	100	Deutsche Bank	16.250
†Bank of Montreal	125	1991	10	5¼Φ	100	Morgan Stanley, UBS	5.319Φ
‡Pemex	75	1986	5	17½	100	SBC Intl.	17.500
‡B.F.C.E. (g'teed France)	100	1986	5	16	100	CSFB	16.000
†Oest. Volksbank	25	1989	8	5¼Φ	100	London & Cont. Bnkrs.	5.319Φ
**Showa Denko	50	1988	7	16	100	Citicorp	16.000
†Nafinsa	150	1991	9	—	100	CCF, Caisse des Depots	—
†Oest. Kontrollbank	100	1986	5	—	100	Orion Royal Bank	—
CANADIAN DOLLARS							
‡Hudson's Bay Co.	40	1987	6	18	100	Morgan Stanley	18.000
D-MARKS							
‡Council of Europe	100	1991	10	10¼	100	BHF Bank	10.250
‡EIB	200	1991	10	10⅛	100	Deutsche Bank	10.125
‡Swedish Ex. Cred. Crp.	100	1991	10	10¼	100	WestLB	10.250
‡Oest. Kontrollbank	150	1991	10	10⅛	100	Dresdner Bank	10.125
Mtg. Bank of Denmark	100	1991	10	10½	*	WestLB	*
SWISS FRANCS							
‡City of Oslo	100	1991	—	8	99¾	Handelsbank	8.037
‡Japan Develop. Bank	100	1991	—	7¾	100¼	Credit Suisse	7.713
Heron Intl. Fin. NV	50	1991	—	8½	99	Banque Keyser Ullman en Suisse	8.653
‡E I/S Elsam	60	1991	—	8½	100	Soditic, Chase Manhatten	8.500
New Zealand	100	1991	—	*	*	SBC	7.500
‡**EIB	50	1986	5	8⅜	100	UBS	8.375
NORWEGIAN KRONER							
World Bank	100	1986	5	12¾-13	*	Den norske Creditbank	*
GUILDERS							
‡**Amfas	40	1986	5	12¼	99½	ABN, AmRo	12.390
LUXEMBOURG FRANCS							
**Swedish Ex. Cred. Crp.	150	1986	5	14½	*	Kredietbank	*
YEN							
‡Oest. Kontro'lbank	20bn	1993	10.3	8.8	99.90	Nomura	9.008
‡**A'pistas del Atlantico (g'teed Spain)	5bn	1991	8.5	9.1	99.80	Long-Term Credit Bank of Japan	9.339
EUAs							
City of Montreal	25	1988	6	13½	*	Kredietbank	*
ECUs							
‡EIB	45	1989	6.5	14¼	99¼	BNP	14.414

†† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ‖ Cancelled. * Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible.
Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

Fine terms for Korea and New Zealand

THE FAR EAST and Australasia retained their place in the limelight last week with news of two $500m credits on very fine terms for the Korea Development Bank and the Petroleum Corporation of New Zealand.

Led by European Banking Company, the New Zealand deal is in two tranches, one of five years and the other 10. Margins in each case start at ⅜ per cent and rise to a maximum of 0.45 per cent in the final five years of the 10-year portion.

As with the recently-announced 10-year credits at margins of ⅜ per cent for Indonesia and Malaysia, these terms are slightly finer than those now being offered by France.

The Korea Development Bank meanwhile announced its $500m deal with a split margin of ½-⅝ per cent on Thursday. The credit, on the finest terms Korea has ever received, is led by Bankers Trust, Bank of America, Citibank, Credit Lyonnais, Industrial Bank of Japan, Midland and Societe Generale.

The signs are that loans such as these are being gobbled up by banks anxious to open up new business opportunities in these areas, while some of the more traditional Euromarket borrowers are finding credits harder to arrange than before.

Electricité de France, for example, has had to raise the commitment fee on its current credit to ¼ per cent from the previous mixture of ⅛ and 3/16 because of slow market reception. A total of five banks led by Credit Lyonnais are now underwriting $100m apiece, making a total of $500m. This is at the lower end of the $500m to $600m range originally envisaged for the deal.

The rise in commitment fee may seem small but it is a crucial concession insofar as the purpose of this credit is to serve as back-up to the issue of commercial paper in the U.S. Banks which participate in this kind of business expect to derive more income from the commitment fee than from the actual margins which are unchanged at an initial 0.3 per cent, rising in stages to 0.5 per cent.

In Eastern Europe, Yugoslavia is taking longer than expected to get its planned $400m credit off the ground. An almost universally heard view in the Euromarket is that Yugoslavia will be lucky to raise such a high amount even if it allows for an increase on the 1½ per cent margin it has paid on other credits this year.

In Latin America, Argentina's development bank, BND, has finally awarded the mandate for an eight-year $200m credit to a group of banks comprising Credit Lyonnais, Crocker, Midland, Sumitomo Bank, Sumitomo Trust, Tokai, UBAF and Yasuda Trust, each of which will underwrite $25m.

The margins start at 1½ per cent over London inter-bank offered rate for the first three years, fall to 1⅜ for the next three and to 1 per cent for the final two. There is an option to lend over U.S. prime rate as a margin structure ⅛ of a per cent below the Libor level.

This loan is another which has taken longer than expected to assemble, although contrary to some market expectations, BND has managed to arrange a deal on terms broadly similar to those recently received by the Argentinian state.

Just ahead of the elections, Greece's Olympic Airways landed a $100m 10-year club loan from a group of banks led by Midland. The credit bears a flat margin of ¾ per cent over London interbank rates throughout, which is the same as that on the last Greek public sector deal for the telecommunications authority.

The news surprised some bankers who follow the country, however, as many have been holding back from new Greek engagements because of doubts over the country's political future.

INI, Spain's state holding company, is guaranteeing a Pta 38bn credit for the steel sector which will include a Pta 20bn floating rate credit at a spread of ¼ per cent over Madrid interbank rates, the largest domestically syndicated credit this market has ever seen.

U.S. BONDS

BY DAVID LASCELLES

Market fails to shrug off gloom

THE HEADLINES were full of prime rate cuts last week, but the U.S. credit markets were facing up to harsher realities.

The prime rate is always several steps behind the market, particularly when interest rates are declining, and the 1 per cent cut announced by most banks was a long-delayed reaction to the drop in short-term interest rates at the beginning of this month. If the prime rate stood at its historic relationship to money costs, it would be below 17 per cent instead of 18 per cent right now.

U.S. INTEREST RATES (%)

	Week to Oct 16	Week to Oct 9
Fed funds wkly avge	15.34	14.16
3-month T bills	13.25	13.15
3-month CD	15.05	15.05
30-year Treas bond	14.34	14.32
AAA utility	17.13	16.88
AA industrial	16.25	16.00
Visible supply ($bn)	7.4	6.8

Sources: Salomon Bros & First Boston.

In the market itself, the concern was not with declining rates but with the growing likelihood of an unpleasant rebound in the weeks ahead. The darkening mood was set to some extent by Dr Henry Kaufman, the Salomon Brothers economist. His latest message showed little change from the views that have made him famous: interest rates may come down a bit further, but in the end they will be forced up again to record levels because of the imbalance between credit demand and supply.

Not surprisingly, he is worried about the Government deficit. But he also believes corporate and municipal loan demand will be much stronger than people think.

Dr Kaufman's remarks did not produce the usual market collapse this time. But he effectively brought to a halt the mild rally of the week before. By Friday, bond prices were generally down on the week, and short-term interest rates had edged up again. The Fed funds rate particularly rose sharply, by more than 1 per cent on average to about 15½ per cent, and this disturbed both the fixed income markets and the foreign exchange markets, where the dollar showed some strength by the end of the week.

A huge $5.6bn rise in the money supply figures on Friday night had been widely expected because of seasonal factors. But it still unnerved some people and triggered a sell-off in the closing moments of trading. Earlier in the day, there had been a brief rally when the Federal Reserve produced industrial production figures which showed a sharp decline of 0.8 per cent for September.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13¾ 86	75	98¼	98¾	−0¼	+0½	16.30
CIBC 16¾ 91	100	98⅞	99⅜	−0	+0⅝	16.84
CNA 15¾ 85	75	91⅞	92¼	+0⅞	+1½	16.72
CNE 12¾ 91	100	80⅞	81½	+0⅞	−0½	16.87
Citicorp Int. Fin. 15 86	150	96⅞	97⅝	+0¼	+1⅞	15.84
Citicorp O/S 15½ 84	175	99¾	100¼	+0⅛	+0⅝	15.38
Cities Service 17 88	150	102⅞	103⅜	−0⅛	0	16.13
Cont. Illinois 14¾ 84	100	96⅜	97⅛	0	+0¾	16.14
CPC Fin. 16⅞ 86	50	103	103½	0	+0⅞	15.72
EEC 14¾ 83	65	91⅞	91⅝	−3⅛	+1½	16.41
EIB 16½ 83	100	93⅞	95⅛	−0⅛	+0¾	16.78
Fed. Bus. D. 15¾ 84 (J)	40	98⅜	99⅛	+0⅞	+0⅛	15.93
Finland Rep. of 9½ 86	100	77⅜	77⅞	0	+0⅛	16.90
Ford Cr. O/S Fin. 16 84	750	99⅜	99⅞	0	+0⅞	16.06
Ford Cr. O/S Fin. 16 85	150	98½	99	+0⅛	+0⅛	16.38
GMAC O/S Fin. 17⅞ 88	100	86⅛	86⅝	0	+1⅛	16.46
GMAC O/S Fin. 14¾ 87	100	92⅞	93⅜	−0⅛	+0⅞	16.64
Gulf States O/S 17½ 88	80	101	101½	0	+0⅛	17.16
Hiram Walker 16 86	50	98	98½	+0⅛	+0⅞	16.48
IBM Wld. Trade 14¾ 84	100	101	101½	0	+0⅜	14.05
IBM Wld. Trade 14¾ 85	60	100⅞	101	0	+0⅞	14.42
Nat. Bk. Canada 15¾ 84	40	†97⅞	98⅜	+0⅛	+0⅞	16.05
New Brunswick 17 88	60	101⅜	102⅛	+0⅜	+1	16.48
Newfoundland 17⅛ 88	60	103⅝	104⅛	+0⅞	+1	16.33
Nova Scotia 16 91	75	92⅞	93⅜	0	+0⅞	16.47
Pacific Gas Elec. 16 88	75	100⅛	100⅝	+0⅛	0	15.83
PSNH Int. Fin. 17 86	30	99⅝	100⅛	−0⅛	−0⅛	16.98
Royal Bk. Canada 14 86	100	95⅜	96⅛	0	+0⅜	15.75
SNCF 13 91	75	82⅛	82⅝	0	0	16.82
Shell Canada 15¾ 91	100	98⅞	99⅛	0	+0⅞	15.96
Sth. California 14 87	50	93⅞	93⅞	−0⅛	+0⅛	15.75
Sth. California 14¾ 88	50	92⅞	94	−0⅛	+0⅜	16.29
Swed. Ex. Credit 13 86	75	88⅞	89⅝	0	+0⅛	15.99
Swed. Ex. Cred. 15½ 86	50	96⅜	96⅞	0	+0⅜	16.76
Tenneco Int. 17 89	100	102⅛	102⅝	+0⅛	+1⅜	16.40
Toronto-Dom. Bk. 14 84	50	95⅞	96	+0⅛	+0⅞	16.06
Transcanada 17⅝ 88	75	103⅜	104⅛	+0⅛	+1	16.74
Walt Disney 15¾ 86	100	99	99½	−0⅛	+0⅜	15.94
Wells Fargo Int. 15½ 84	50	99⅞	100⅛	−0⅛	0	15.38
Winnipeg 17 86	50	100⅝	101	+0⅛	+0⅜	16.77
World Bank 14¾ 86	500	93⅞	93⅞	0	+0⅞	16.35
World Bank 16 86	210	98⅞	99	−0⅛	+0⅛	16.32
World Bank 16 88	80	98⅜	98⅞	0	+0⅞	16.34
World Bank 16½ 86	130	99½	100	−0⅛	−1⅜	16.56
World Bank 16½ 88	100	99⅛	99⅝	+0⅛	−0⅜	16.61

Average price changes... On day 0 on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	97⅞	98⅜	+0½	+0½	10.28
Austria Rep. of 8¾ 92	150	87⅛	87⅞	−0⅛	−0⅛	10.19
CECA 7⅞ 92	150	85½	86⅛	0	−0⅛	10.06
CECA 10 91	120	98⅜	99⅛	−0⅞	−2⅜	10.15
CII-Honeywell 8¾ 90	125	88⅝	89⅛	+0⅛	+1⅜	10.33
Council of Europe 10 91	100	97⅞	97⅞	−0⅞	−2	10.41
EIB 9½ 90	200	89⅞	90⅛	−0⅛	−0⅛	10.30
EIB 10½ 91	200	100⅜	101⅛	+0⅛	−0⅛	10.29
ESCOM 9¾ 87	100	91⅛	91⅞	0	0	11.26
Finland Rep. of 10 89	100	97⅛	97⅞	0	0	10.42
Iberduero SA 9 90	100	90⅜	91⅜	+0⅛	−0⅞	10.58
Ind. Bk. Finland 8⅞ 90	50	89⅛	90⅛	0	−0⅞	10.25
Int.-Am. Dv. Bk. 10 91	100	98⅜	98⅞	−0⅛	−0⅞	10.13
Japan Air Lines 8⅜ 87	100	92⅞	93⅜	+0⅞	+0⅛	9.69
Japan Dev. Bk. 7⅝ 87	100	90⅛	90⅞	+0⅛	+0⅛	9.82
Kobe, City of 8 90	100	89⅜	90⅛	0	+0⅛	9.72
Midland Int. Fin. 8½ 90	180	90⅞	91⅜	−0⅛	−0⅛	10.02
Nociebras 9¾ 88	100	90⅞	91⅜	+0⅛	+0⅞	11.77
OKB 8¾ 92	150	86⅞	87⅜	−0⅛	−0⅞	10.25
Oslo, City of 8½ 90	80	92	92⅞	+0⅛	+0⅜	10.13
Renault Acc. 10¾ 86	150	98⅜	99⅛	−0⅛	+0⅛	11.00
Venezuela R. of 9¾ 90	150	94⅞	95⅜	+0⅛	+0⅞	10.68
World Bank 8 90	700	87⅜	88	−0⅛	−0⅞	10.19

Average price changes... On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	80	†92	92½	0	0	7.57
BFCE 6½ 91	100	†90½	91	0	+0⅛	7.83
Bayer Int. Fin. 5¾ 92	100	85⅝	86	+1⅛	−3⅞	7.16
Belgelectric Fin. 7¾ 91	100	99⅜	100	+0⅛	0	7.76
Bergen, City of 6¾ 91	40	†96	96½	−0⅛	−1½	7.30
CECA 6¾ 91	80	92⅜	92½	−1⅞	−1⅛	7.91
Denmark 5¾ 90	80	88⅛	88½	+0⅛	+1⅞	7.97
Dome Petroleum 5½ 91	100	87⅛	87½	−0½	−2⅜	7.69
Dome Petroleum 7¾ 90	100	98⅜	98⅞	+0⅛	−0⅛	7.28
Elet. de France 5¾ 90	100	85	85¾	−0⅜	+0⅜	7.60
Eurofima 5¾ 92	80	†88½	89	0	0	7.27
Finland, Rep. of 5¾ 90	80	86⅜	87	+0½	+0⅛	7.72
Franc. Petroles 6½ 91	80	90⅜	91	+0⅛	+0⅜	7.90
Genstar 7 91	100	98½	99⅛	−0⅛	−1⅛	7.05
Int. Amer. Dv. Bk. 7 91	100	94⅛	94½	0	+0⅛	7.85
Japan Dev. Bank 5¾ 90	100	†91½	92	−0⅛	0	7.02
Mt. Blanc Tunnel 5½ 90	80	†84	84½	0	−0⅛	8.04
Newaq 5¾ 90	80	90	90⅛	+0⅛	−0⅛	7.31
OKB 7 93	100	97⅛	97⅝	+0⅛	+1	7.35
Oslo, City of 5⅞ 90	80	90¾	91	+2½	+1½	7.29
Philips Lamps 5¾ 92	100	†88	88½	−0⅛	−0⅛	7.11
Swed. Ex. Credit 7¾ 91	75	†92½	93	−0⅛	−1⅛	8.38
Trade Dev. Fin. 6¾ 90	50	85⅜	86	0	−2⅜	8.44
Voest-Alpine 5¾ 90	80	88⅞	88⅞	+0⅛	+0⅞	7.98
World Bank 6 91	100	†89	89½	−0⅛	+0⅛	7.64
World Bank 7 90	100	96⅜	96⅞	+0⅛	−0⅛	7.56

Average price changes... On day +0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 91	15	96⅛	97⅛	0	−0⅛	8.75
Australia 8½ 88	20	95⅜	96⅜	0	+0½	9.40
EIB 7⅞ 89	12	94	95	+0⅛	+0⅛	8.74
Finland 6.8 88	10	86⅜	87⅜	−0⅛	+1	9.59
Finland, Rep. of 8½ 87	15	96⅜	97⅜	+0⅛	+0⅛	9.03
New Zealand 8⅛ 87	15	97⅛	98⅛	+0⅛	+0⅛	8.85

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ 85 CS	50	†90	91	+0⅛	0	17.16
CIBC 11½ 85 CS	60	84	85	+0⅛	0	17.40
Federal Dev. 11½ 90 CS	60	†76	77	+0½	+2⅛	16.77
Federal Dev. 17¾ 86 CS	40	†98½	99½	−0½	−0⅛	18.05
Est. Can. Inv. 10 84 CS	50	†85	86	0	+2½	17.34
GMAC (Can.) 18 87 CS	60	†104	105	−1	+2⅜	16.73
Tordom Cpn. 13½ 86 CS	30	†93	94	0	+1	15.93
M. Bk. Dnmk. 9 91 EUA	25	80	81	+0⅛	−0⅛	12.49
SOFTE 8¾ 89 EUA	40	75	76	+0⅛	+0⅛	13.65
U. Bk. Nwy. 9½ 90 EUA	18	81½	82½	−0⅛	−0⅛	13.14
Algemene Bk. 10¾ 86 Fl	60	93⅞	94⅜	0	−0⅛	12.01
Amro Bank 12 86 Fl	75	†99⅜	100⅛	+0⅛	−0½	11.96
Heineken NV 10 87 Fl	100	92⅜	93⅛	0	+0⅜	11.72
Nat. Nedrlndn. 10 88 Fl	60	94⅞	94⅜	+0⅛	+0⅛	11.27
Ned. Midd. Bk. 10 85 Fl	75	95⅜	95⅞	+0⅛	+0⅛	11.43
Pierson 10¾ 85 Fl	50	93½	94	+0½	−0⅛	12.13
Rabobank 12 86 Fl	50	100	100½	0	0	11.88
Air France 14½ 86 FFr	200	91	92	+0⅛	+1	17.27
Bk. America 14½ 86 FFr	250	91	92	+0⅛	+0⅛	17.25
Charb'nages 13⅞ 85 FFr	400	90⅛	91⅛	0	+1	17.10
EIB 14⅛ 88 FFr	300	85⅞	86⅞	−0⅛	+0½	17.87
La Redoute 14½ 85 FFr	125	88⅜	89⅜	+0⅛	+0⅞	18.19
OKB 14 86 FFr	400	90⅝	91⅝	+0⅛	+2⅜	16.97
Solvay et C. 14¾ 86 FFr	200	89⅝	90⅝	0	+0⅜	18.08
Swed. E. Cr. 14¾ 86 FFr	250	[illegible]	[illegible]	+0⅛	+1	18.26
U. Mex. Sts. 14 85 FFr	150	90⅞	91⅞	+0⅛	+1⅛	17.29
Acona 14 85 £	20	89⅝	90⅝	0	0	17.51
Beneficial 14⅛ 90 £	20	80⅞	81⅛	−0½	+0⅜	18.63
BNP 13½ 91 £	15	83⅜	84⅞	+0⅛	+0½	17.07
CECA 13½ 88 £	20	86	86⅜	0	+1	16.96
Citicorp O/S 13½ 90 £	50	86⅜	87⅛	0	+1	16.49
Fin. Ex. Cred. 13¾ 86 £	15	89⅞	90⅜	−0⅛	+1	16.95
Gen. Elec. Co. 12¾ 88 £	50	83⅜	84½	−0½	+1	16.28
Hiram Walker 14¾ 86 £	25	91	91⅜	−0⅜	+0⅛	17.05
Privatbanken 14½ 88 £	12	90⅛	90⅞	−0⅛	+1⅛	16.95
J. Rothschild 14⅛ 90 £	12	88⅞	89⅜	−0⅛	+0⅛	16.62
Royal Trustco 14 86 £	12	90⅞	91½	−0⅛	+0⅛	16.94
Swed. Ex. Cr. 13¾ 86 £	20	89⅜	90⅛	−0⅛	−0⅛	17.16
Akzo 9¾ 87 LuxFr	500	84⅞	85⅞	0	0	12.88
Euratom 8⅞ 88 LuxFr	500	86½	87½	0	0	12.89
Eurofima 10½ 87 LuxFr	500	88⅜	89⅜	0	+0⅛	13.33
EIB 9¾ 88 LuxFr	600	83⅞	84⅞	−0⅛	−0⅛	13.57
Volvo 9¾ 87 LuxFr	500	83⅞	84⅞	0	+0⅛	13.66

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	98⅞	99⅛	18/12	16⅜	16.90
BBL Int. 5 86	0¼	99⅝	100⅛	20/11	18.31	18.34
BNP 5½ 88	‡0⅛	99½	100	29/10	18.81	18.86
Christiana Bk. 5½ 91	‡0⅛	98⅜	99¼	5/11	19.19	19.38
Co-Ban Eurofin 5½ 91	0¼	98⅜	99⅛	14/4	16.69	16.90
Co-operative Bk. 6 86	0¼	99¼	99⅝	15/11	19.56	19.66
Den Norske Credit 6 90	‡0⅛	99⅛	99⅝	6/11	19.19	19.31
Genfinance 5¾ 87	0¼	99⅜	99⅞	30/10	16.94	17.00
Genfinance 5¾ 92	0¼	99½	100	30/12	18.31	18.36
Giro und Bank 5¾ 91	‡0¼	98⅛	98⅝	23/12	17½	17.61
GZB 5¾ 92	‡0¼	98⅞	99⅛	5/12	17¼	17.40
Ind. Bank Japan 5¾ 88	0¼	99½	100	9/4	16⅝	16.67
Lloyds Eurofin 8 90 £	0¼	96⅛	96⅞	6/1	13⅝	14.12
Lloyds Eurofin 5¾ 92	0¼	99	99½	4/12	17.44	17.57
Lloyds Eurofin 5¾ 93	0¼	98½	99	29/10	5¼	5.32
LTCB Japan 5¾ 86	0¼	99⅜	100¼	13/12	17⅛	17.25
LTCB Japan 5½ 88	0¼	99⅝	99⅞	16/1	18.32	18.39
Man. Hanov. O/S 5¾ 94	‡0⅛	99⅜	100¼	30/11	19⅜	19.38
Midland Int. Fin. 5¾ 92	0¼	99⅜	99⅞	5/12	17⅜	17.46
Midland Int. Fin. 9 91	0¼	98⅜	99¼	30/10	16.81	16.98
Nacional Fin. 5½ 88	0¼	98	98½	25/3	17.31	17.62
Nat. Bk. Canada 5¾ 88	0¼	99⅛	99⅝	24/3	17.31	17.38
Nat. West. 5¾ 94	§0¼	98⅞	99⅜	14/4	16⅝	16.77
Nat. West. Fin. 5¾ 91	§0¼	99⅜	99⅞	15/1	18⅛	18.19
Nat. West. Fin. 5¾ 92	§0¼	99⅜	99⅞	23/10	16.81	16.98
Pemex 6 91	0¼	97½	98⅛	8/4	17	17.37
Pemex 5¾ 88	0¼	97⅜	98⅛	14/2	18.81	19.20
Sanwa Int. Fin. 5¾ 88	0⅛	99⅛	99⅝	24/3	17⅛	17.34
Societe Generale 5⅜ 91	0¼	98⅜	99⅜	22/1	18⅜	18.81
Sparebanken 6 87	0¼	98½	99	19/12	16.81	17.03
Svenska Hndlsbk. 5 87	0¼	99⅝	100⅛	15/1	18⅛	18.73

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¾ 96	7/81	933	80⅛	81⅞	−2⅜	−3.06
Bow Valley Inv. 8 95	4/81	23.12	92⅜	93⅞	+0⅛	35.71
Canon 6¾ 95	1/81	829	116⅜	118⅛	−2⅜	1.52
Daiwa Secs. 5½ 96	12/81	539	78⅛	78⅞	−5⅛	−4.13
Fujitsu 4½ 96	10/81	6770	90⅝	92⅜	−3⅞	6.11
Furukawa Elec. 5¾ 96	7/81	300	96⅛	97⅜	−3⅜	−2.85
Hanson O/S Fin. 9½ 96	8/81	2.74	†81	82	−2	1.36
Hitachi Cred. Cpn. 5 96	7/81	1966	77⅜	79⅛	−1⅛	8.82
Inchcape 8 95	2/81	4.55	56½	58	+0⅛	23.00
Kawasaki 5¾ 96	9/81	229	81⅜	83⅞	−4½	−4.46
Marui 6 96	7/81	831	87⅛	88½	+1⅜	2.09
Matsushita El. 7¼ 95	11/80	590	76½	78	+0⅛	−2.97
Minolta Camera 5 96	10/81	909	74	75⅜	−0⅛	0.77
Murata 5⅝ 96	7/81	2180	74½	75⅜	−3	−5.39
NKK 6½ 96	7/81	188	95⅜	96⅜	−2⅜	6.06
Nippon Chemi-C. 5 91	10/81	919	77	78½	+0⅛	1.18
Ricoh 6⅝ 95	8/80	604	111⅞	113⅜	−4⅞	−3.81
Sanyo Electric 5 96	10/81	652	81⅜	82⅛	−2⅜	8.05
Sumitomo Met. 5¾ 96	10/81	305	76⅜	77⅜	−2	−2.85
Swiss Bk. Cpn. 6¾ 90	9/80	200	70⅛	72⅛	−0⅛	11.55
Taylor Woodrow 5¾ 90	1/81	4.94	75½	76½	0	2.48
Transco Int. 8¾ 95	2/81	98	73	74½	−0½	18.70
Tricorp 8½ 95	12/80	31.25	68½	70	0	21.92
Union Bk. Switz. 5 89	2/80	70.78	77	79	−0⅛	6.05
Sharp Cpn. 6½ 88 DM	9/80	591.8	149⅝	150⅝	−6⅛	−5.40
Uny Co. 6½ 86 DM	11/79	679.3	101	102	−0½	0.22

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	3,967.2	5,546.3
Previous week	3,342.3	5,262.9
Other bonds		
Last week	830.1	369.0
Previous week	723.1	383.8

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on October 16

TECHNOLOGY

EDITED BY ALAN CANE

Quiet beavers west of Cambridge

BY GEOFFREY CHARLISH

THE MAJORITY of British engineering management probably still has only a passing acquaintance with the activities of 100 or so engineers and software specialists quietly beavering away on the western outskirts of Cambridge.

In an environment dominated by graphics terminals and software systems with names like Polysurf and Clasher, they staff the Computer Aided Design Centre, a high technology unit unique in Europe and possibly in the world.

CADC is funded by the Department of Industry with about £2m annually and under an unusual arrangement all but six of the staff (who are civil servants) are employed by ICL, which is reimbursed by the DoI.

The centre is thus not quote a "Government lab" in the accepted sense. As Percy Hammond, who recently came from the Warren Spring Laboratory to head the centre points out: "We recoup about half of our costs from industrial sales of software and services."

PERCY HAMMOND: We recoup half our costs from industrial sales

CADC is trying to help large and small firms alike to take advantage of the computer in the design and manufacture of their products.

To do this, the centre will only undertake projects (in the first instance with the obvious front runners such as the big oil, chemical and engineering groups) on the basis that the results will be available to all UK industry.

Although a certain amount of free advice is given, companies starting a project with CADC are required to make financial and manpower contributions that will indicate staying power.

There are groups at the centre covering the process industries, mechanical engineering and production services, consultancy, and servicing them all, a basic software group. Only a small effort is going into electronics (mainly printed circuit board design) because, says Hammond, "the industry is in the main able to take care of its own problems."

One of the centre's recent successes has been PDMS (pipe design management system), jointly developed with Akzo Engineering and Isopipe and now marketed by Compeda. Companies using the system include George Wimpey, BP Chemicals and Westinghouse Electric.

Using PDMS, a designer seated at a terminal can build a complete three dimensional picture of the intended process plant on the screen. The information is held in the computer in such a way that design analysis, constructional drawings and information/lists can be produced as needed.

If, for example, during design the engineer suddenly needs a larger size of reactor vessel, he can insert it from the computer's component catalogue and the pipes will then re-thread themselves accordingly, avoiding clashes.

Dr Peter Winter, who runs process industries group at CADC, says: "We are now pushing the concept further forward with a project engineering and graphics system—PEGS." The idea is to get to the totality of computer aid in plant design—not just the bits such as pipework.

Winter points out that in today's ultra-complex plant designs, much of the engineer's time is taken up not with design calculation but with the management of large volumes of graphical and textual information. He maintains that a satisfactory final outcome is as much dependent on this paper as on the technical design itself.

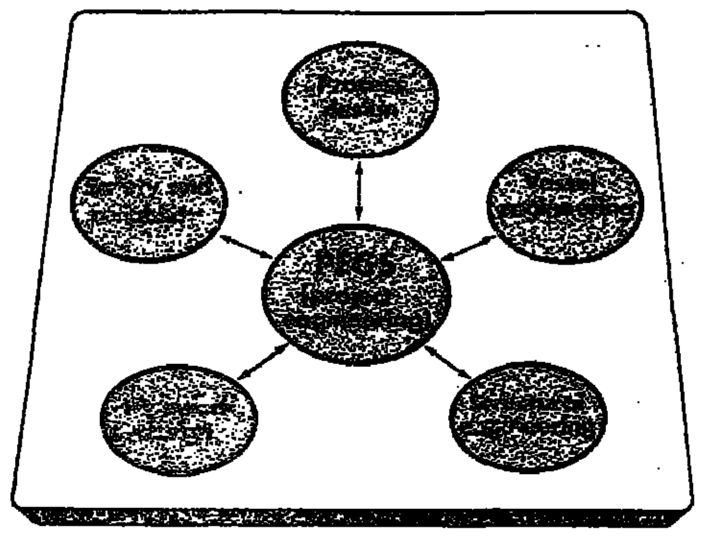
Starting point for PEGS is the piping and instrumentation schematic, which the designer builds upon the screen. From the data generated during the production of the schematic, PEGS is then able to produce lists of equipment, lines, valves, instruments and other plant items.

The software also allows process data such as temperature and pressure to be incorporated into the database so that the effects of changes in these can be deduced by PEGS.

Vessel design

In the longer term, the work on PEGS at CADC aims to provide the basis for integrating all aspects of the plant design process, from flowsheeting through to material and project control. Ultimately, PEGS will start with the process design and embrace many of the CAD programs already developed such as vessel design, pipework isometrics, structure of the plant itself and will even include safety and reliability.

Of interest on the mechanical engineering side is the development of a system called Compass in conjunction with Henry Hargreaves of Bury, Lancs. With keyboard and terminals the designer can produce all the ductwork for a heating and ventilation system within a building.



CADC's ultimate view of process plant design by computer: most aspects will be dealt with via screen and keyboard.

The user can construct the building plan on the screen, position ductwork components drawn from the computer's store, guide the duct runs along the necessary routes and finally instruct the system to automatically dimension the drawings.

The completed scheme can be viewed from various angles and parts of the scheme can be "zoomed in" for detailed viewing. Plotters produce paper drawings.

In manufacturing, the centre is able to offer a screen-based system for programming the machining of parts. Called GNC (graphical numerical control), it produces paper tapes for a variety of NC machines and is available on a bureau basis at Counting House (Bury St Edmunds) and Delta Metal (Birmingham). Other systems allow complex surfaces to be examined (Polysurf) and estimating to be carried out on turned parts.

Many of these systems can be tried out at the centre by companies will small budgets.

More recently CADC has set up a consultancy service which will carry out formalised feasibility studies for clients, with some costing. Sales of CAD systems by the makers are growing at 40 to 50 per cent a year, and the idea is to help potential users construct bench mark tests and carry out cost benefit studies. CADC is on 0223 314848.

Plain paper print system

A PLAIN PAPER print system which allows hard copy prints to be generated from the input to screen-based graphics displays has been put on the market by Riva Terminals of Ascot, Berks (03447 5193).

Known as Printagraphics, the system consists of a small box of electronics employing a Z80 microprocessor, wired into the input line of the display terminal. A third port connects to the printer.

A number of pin-addressable printers have already been interfaced to Printagraphics and users should be able to select a printer to suit their needs.

Dependent on the source image and the printer, used copies can, it is claimed, be taken in seconds. Price is between £800 and £2,000 depending on the printer involved.

Cable measuring

A CABLE measuring meter, designated model HGD, which can measure wires, cables or other flexible materials up to 2 ins diameter and to a length of 9,999 ft is now available from Eraser International.

The meter uses tension springs and is, therefore, self-adjusting. Steel rollers measure the material as it passes through the meter. The meter is 12 x 7 x 7 ins. More from Eraser at Andover, Hants. 0264 51347.

New leaflet

DUNSTABLE - BASED Kay Pneumatics (maker of the Design Award winning Power Logic range of spool valves) has added an A4 format leaflet to its catalogue. This describes the range of logic elements available from the company's factory, and also lists stockists.

Copies from Kay's sales office at London Road, Dunstable, Beds (0582 609 292).

Digital anemometer

A portable digital anemometer has been added to the range of products from Power Instruments, PO Box 432, London NW4 (01-202 6095). The company claims that the instrument is ideal for balancing heating and air conditioning or in laboratories to control fume exhaust or cooling air. Price is £215 plus VAT.

3M set to blossom with new products

TIMED TO blossom forth at the International Business Show in Birmingham (October 20 to 29) are a number of new office products from 3M.

The company's latest facsimile machine, the 9136, appears to surmount the well known problem of compatibility between different makes or categories of machine. Transmission speeds can vary and recently high-speed digital machines have appeared on the market.

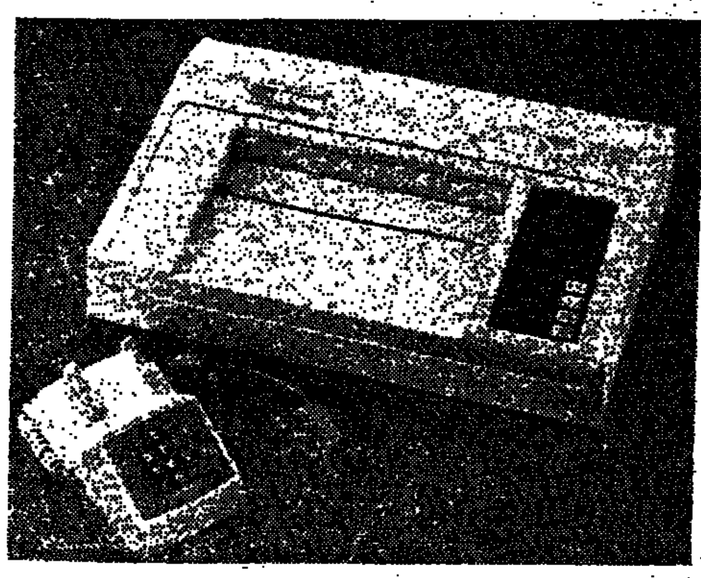
The 3M unit can communicate in the language of every major facsimile grouping—group one (six minutes, analogue), group two (three minutes, analogue) and group three (one minute, digital). This desk-top unit weighs only 35 lb and measures 7½ x 17½ x 21 inches.

In the micrographics area, 3M has introduced a camera and reader combination that allows business documents such as orders and invoices to be filmed and retrieved in a block, batch and page mode giving compatibility, says 3M, with existing data processing batch techniques.

During filming a short, medium or long mark is made on the film for each frame to locate block, batch and page. The reader will then find any item, or a block or batch start point at any point in a cartridge of film. All the user has to do is key in on a small keypad the appropriate reference number.

The company is also offering a new plain paper copier, the model 595. Capable of producing reduced size copies, the machine can deal with originals up to A3 and has an electronic scanner to deduce the correct exposure.

The 595 will produce its first copy in about six seconds and can then produce 23 A4 or 14 A3 copies each minute. More from 3M on 0344 58551.



THE 3M 9136 desk-top digital model for facsimile transmission; designed and priced for low-volume users.

Pressomat medical unit from Israel

ALTHOUGH primarily designed for medical diagnosis, a new technique for immunoassays and liquid extraction could have industrial and other laboratory applications, says the Lidex Corporation of Israel.

Professor Michael Cais, pictured above, scientific managing director of Lidex and his colleague, Dr Moishe Shimoni, claim that their "Pressomat" can carry out separation of very small particles from liquids in less than three minutes without using centrifugal or decanting techniques.

Lidex is based on the campus of the Israel Institute of Technology, Haifa 32000, Israel tel 04-226172.

Stereo sound by Grundig

GRUNDIG, THE West German electronics group, has plans to introduce televisions with stereo sound next year.

The new television will be able to produce true stereo sound from stereo video recorders and video disc players which are also expected to be launched some time next year.

At present, television broadcasts are mono only but the Grundig sets can process mono signals to give a stereo effect.

The company says that the television sets can be modified to receive stereo broadcasts when they begin in the UK. However, that seems to be a long way off because neither the BBC nor the IBA have given any firm commitment about stereo sound broadcasts for television in the near future.

Regular stereo sound televisions have already started in West Germany and Grundig says that about half its television sales are for the stereo sound versions.

Also next year the company is to enter the portable video recorder market. The system will use a ¼-inch compact video cassette which is slightly larger than the familiar audio compact cassette

ELAINE WILLIAMS

Precision balances

TWO electronic precision balances for use in limited weighing ranges have been developed by Mettler Instruments (CH 8606 Greifensee, Switzerland). The top loading scales have respective ranges of 0-200g (Mettler PC220) and 0-2, 100g (Mettler PC2200). Activation of a control bar converts the PC 220 into a milligram balance and makes the PC 2200 readable down to 10 milligrams.

Density monitor

A CONTINUOUS density monitor for non-critical solutions in the chemical industry has been developed by Laboratory Impex of Lion Road, Middlesex. Designated the LB365, the instrument uses a non-contracting system to determine the density of solutions, suspensions or slurries. A technical specification is available from 01-891 4881.

Technical authors

INDUSTRIAL Handbooks of 165, High Street, Lewes, Sussex, (07916 6464) which specialises in the writing, illustration and production of technical publications, has produced a new publication describing its services and entitled *Authors to Industry*.

BUILDING AND CIVIL ENGINEERING

Prefabs for the eighties

BY DEBORAH PICKERING

BECAUSE OF the dearth in traditional building materials and a dire need to replace blitzkrieg-destroyed homes during the Second World War, prefabs seemed a speedy, albeit temporary solution — their anticipated life was ten years.

Yet, in towns and cities throughout the UK, many of these immediate post-war dwellings are still in existence and still inhabited. Two extant examples are in up-market Parsons Green, London SW6, facing £100,000-plus homes occupied by merchant bankers, stockbrokers and the like.

Nottingham City Council had an entire estate of prefabs until six years ago, when Hallam Group's Volumetric Housing arm "instant homes" tendered for the demolition and replacement of the first of the 1940s dwellings. They secured a deal which, by today's order books, proves that Hallam solved the authority's problem.

The 1975 success spurred Hallam into tendering again (competing fiercely with traditional and timber-frame contractors) in mid-1980 for 86 more replacement prefabs on the Beechdale Estate. Hallam won, and started work on November 1 last year (under a 12 month contract period) but completed the entire project in just half the requisite time—by June this year.

A further phase of 109 dwellings has now been awarded by the council whose satisfaction with the Hallam expertise should be noted by other authorities contemplating their existing building eye-sores.

Less disturbance

One of the prime joys of the system is that Hallam's programme aims to cause the least amount of ripples in disturbing the occupiers of old prefabs. In many cases, these people are well beyond middle age, and include a lot of elderly persons to whom deeply entrenched roots are important.

They have brought up children who have moved out and on, and it is widely acknowledged by sociological surveys that a change in domestic environment (for any one at any age) produces high temperatures on the stress scale. Tenants are rehoused for a matter of weeks while their homes are being replaced with 1980s refinements and enhancements.

The two-bedroomed, sitting room, kitchen, bathroom, store room, replacements are completely factory built—in other words, space-age prefabs. Plumbing, central heating systems, electrics, sanitary ware and kitchens are all fitted, also under controlled factory conditions.

This pre-construction at Hallam's factory allows the company to build homes to pre-determined programmes, regardless of weather or shortage of site labour. More vital factors are that wastage of materials and equipment — and potential vandalism on site — are now past horrors.

So, we are now talking about the prefab of today — permanent timber-framed bungalows, with a life expectancy of at least 60 years.

These are lifted by crane in two halves and bolted to the original footings. Exterior brickwork clads the gables, roofs are tiled with the excellent Marley Modern product, and the front and rear walls have already been clad with plastic boarding (overlapping like the timber on a clinker-built boat) at the Hallam factory.

More room

Occupiers actually gain a bonus in floor space within the new homes but, Hallam says frankly, will have to spend a little time revitalising their garden plots. Most important of all, they go back home to where friends and neighbours have already created a community which, at their time of life, they are determined to preserve.

Over £9m for Costain

IMPROVEMENT OF aircraft and passenger facilities at Heathrow Airport's Terminal 1 are to be undertaken by Costain Construction under a contract worth £9½m.

Work starts now on increasing accommodation for wide-body aircraft at the terminal's Pier 3, providing four aircraft stands at the south side which will be capable of dealing with these large aircraft.

These expansions will also meet the requirements of a fleet of Boeing 757 aircraft which British Airways plans to introduce in 1983.

The pier is being widened with new gaterooms to serve a modified layout of aircraft stands, and the additional width will allow for two pairs of moving walkways. Accommodation for check-in, transfer and security search procedures is provided for in the pier complex.

Structural steelwork type construction is called for, with precast concrete cladding and roof units formed in aerated concrete. Mechanical ventilation is provided at first-floor level and gaterooms will be air-cooled.

Work will last for just under two years, including the erection of a temporary pier prior to the start of permanent works and its subsequent removal.

SPANDREL Orbits Structures of Glenrothes says this is the world's largest temporary structure. Fabricated from 42 miles of heat treated aluminium extrusions covered with a wind and waterproof membrane it housed the Offshore Europe 81 exhibition in Aberdeen, attended by over 30,000 visitors and some 800 oil industry exhibitors.

Tawse tops £6m

WILLIAM TAWSE, part of Aberdeen Construction Group, has secured new work well in excess of £6m, including a major award from Fife Regional Council for the new Thornton by-pass at about £4.1m.

The company is also to construct the east taxiway at Glasgow Airport for the BAA at a value of just under £¾m, and a new quay for the Lewis Offshore construction yard at Stornoway worth about £¼m.

Other jobs include the construction of ash pipelines at Cockenzie power station for the South of Scotland Electricity Board (£0.23m); the River Dee abstraction scheme and surfacing of Muchalls carriageway for Grampian Regional Council (combined value about £0.42m); and two schemes for Highland Regional Council, the Rosskeen bridge improvement and coastal protection at Scrabster (combined value £0.60m).

French Kier job for Texas

A NEW manufacturing complex at Manton Lane, Bedford, is to be built by French Kier Construction under a contract worth £3.8m awarded by Texas Instruments Inc.

This consists of three main blocks (namely a five-storey production building), canteen block and warehouse block, all together covering about 18,000 square metres.

Wimpey at home and away

WIMPEY HOME AND AWAY BENIN, IN French-speaking West Africa, is to have road and irrigation works for a sugar complex development at Save, under a £12.6m contract which Wimpey International has received from process plant maker Abay SA of Brussels. This will be financed by British loans backed by an ECGD line of credit.

Wimpey will build 47 km of estate roads, some 530 culverts, 120 drop ditch structures, associated storm trenches as well as excavate for and lay 134 km of irrigation pipelines. The company will also provide 34 staff houses.

This contract is part of a £116m project for which the Belgian company is the main contractor supplying process plant. The sugar complex is being developed for Societe Sucriere de Save, owned by Nigeria, Benin and Lonrho, and is financed by Britain, France and Belgium.

George Wimpey's Birmingham office is to build a three-storey extension to Foseco International's building in Long Acre, Nechells, Birmingham, under an £800,000 order.

This will have an insitu reinforced concrete frame and plate floors, and the building faced in brick cladding. Part of the ground floor is reserved for car parking.

A two-storey office and amenity block at Dalton Street, Hull, for the City of Kingston upon Hull comprises a £276,000 job for Wimpey UK Construction. Wimpey will undertake the design and supervision of the building using a steel frame on concrete raft foundations.

SHARING THE task of building an expressway for the Federal Ministry of Works, Lagos, Nigeria, is Wimpey International and George Wimpey (Nigeria).

Work started a few weeks ago on the project which calls for the provision of an overlay and minor civil works on the Ikeja to Shagumu section of the Lagos-Ibadan expressway.

Value of this contract is £6.174m, and the scheme is due to be completed early in August next year.

Major awards for Monk

ABOUT £15M'S of new work has been announced by A. Monk and Co., which is to carry out a variety of undertakings throughout the UK.

Bulk of the total is the Department of Transport's (north eastern road construction unit) £14.5m contract for the construction of the A180 Ulceby to Grimsby trunk road.

About 9.1 km in length, the route extends from a point east of Harborough on the B1210 to the Pyewipe industrial area on the western outskirts of Grimsby. It will be a dual two-lane road with standard 7.3 metre carriageways, 3.5 metre verges and 4.5 metre central reserve.

Also involved are side roads re-alignments, interchanges near Stallingborough and Great Coates, and a single carriageway link to a roundabout on the A1136.

Fourteen structures comprise eight road bridges, including one over the railway, two over-bridges, an underpass, two r.c. box culverts and a steel structure.

Earthworks call for 400,000 cubic metres of fill and ½m cubic metres of chalk. Rigid carriageway construction has been accepted for the trunk road and slip roads, while the link road and side road realignment will be of flexible construction.

Completion of the DoT contract is expected to be in the autumn of 1983.

British Rail eastern region has accepted a £33,000 contract for the re-alignment of Sherburn curve which involves the construction of a single track railway embankment incorporating drainage and providing bottom ballast.

At Immingham Dock, Monk will carry out rehabilitation of numbers 2 and 3 quays for the British Transport Docks Board. Value here is £274,000 for concrete paving to the quay, relaying of railway tracks and incorporating drainage.

Another project, worth £190,000, is a design-and-build Wet Separation Plant for Unichem Chemicals on insitu-bored pile foundations, of steel frame construction with traditional brick walling and cladding above.

Lesser in London

NEW CENTRAL office in London for Lesser Design and Build has opened at 3a Hertford, W1, which will fulfil a dual role — that of meeting the growing demand within the property field for a combined and construction resource, and further improve the already close working relationship with existing clients, says Lesser.

Gleeson's £10m boost

MAJOR WIN in a batch of new work worth around £10m to Gleeson is the Department of Transport's £4.2m award for a two-year job tying in with current works at Bullington Cross.

Work comprises the addition of a second carriageway on the south side of the existing A303 over a length of 3 km to meet ongoing operations at Bullington Cross, and the construction of 4 km of new dual two-lane trunk road all in either rigid or flexible construction.

One all-movement and one limited - movement grade separated interchange are to be provided with 1.5 km of side road works. The structure involves three bridges over side roads and one farm underpass all in reinforced concrete.

Northumberland County Council wants £2.2m's worth covering 5.6 km of single carriageway, flexible construction, at Belford by-pass, London-Edinburgh-Thurso trunk Road A1.

The company will provide advance factories at the Rising Sun site, Blaina, Blaenau, Gwent, under an £848,000 award from the Welsh Development Agency.

Civil Engineering arm has also been awarded a contract (around £¼m) to construct Stage 2 development of Shalford Treatment Works for the Thames Water Authority, southern division.

Laing Management Contracting has awarded M. J. Gleeson (Contractors) a scheme worth just over £1m for ITC Pension Trust and ITC Pension investments to build a superstructure concrete frame at the Kingsmead Shopping Centre, Farnborough, Hants.

Other projects are a £¼m-plus sub-structure of a major shopping development scheme at North End Croydon for St Martins Property Investments with Sir Robert McAlpine Project Management as management contractor.

Sheffield division of the company will construct Phase 2 sheltered accommodation at Chancet Wood, Sheffield, for the City's Metropolitan District under a £238,597 award.

Coup for Cleveland

FIRST MAJOR export order to be fabricated at Cleveland Bridge's new £26m Darlington factory comes on stream in January next year.

This Trafalgar House company has won a £5m deal for the design, supply, fabrication, delivery and erection of the prestigious sixth of October bridge extension in Cairo.

Cleveland's project covers the section from Ghamria to Ramses Square, and the bridge runs through an immensely congested area. The company says that the steelwork is particularly intricate because of traffic intersections and railways.

It will carry out the job with Arab contractor, Osman Ahmed Osman, with the latter undertaking the civils and certain erection aspects.

Financed by a loan supported by ECGD for Cleveland, the scheme is scheduled for completion in two years.

Drains scheme

THE CONSTRUCTION of a rising main, gravity sewer and storm overflow in the new Underhill Main Drainage scheme for Weymouth and Portland Borough council is worth £1.4m to Bovis Civil Engineering.

Work on this two-year project comprises two sections of gravity main serving the RN Dockyard area, Centre Town and Chiswell districts of Portland, and a ductile iron pumping main following the line of the Chesil Beach causeway which links the Isle of Portland to Wyke Regis on the mainland.

CONTRACTS AND TENDERS

THE SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

MUNICIPALITY OF BENGHAZI

BENGHAZI MAIN DRAINAGE PROJECT

PHASE 2 CONTRACTS

INVITATION OF TENDERS FOR CONTRACTS 200A (2)

The People's Committee for the Municipality of Benghazi invites tenders from experienced companies for Contract 200A (2) of the Benghazi Main Drainage Project.

The work to be executed under this contract is generally as follows:—

1. Contruction of approximately 24 km of foul and stormwater sewers, lateral and gully connections ranging from 150 mm to 2,000 mm diameter.
2. Construction of approximately 3 km of pumping main ranging from 300 mm diameter to 1,600 mm diameter.
3. Construction of manholes, gullies, inspection chambers and ancillary chambers.
4. Construction of pumping station GT13 approximately 17.0 m x 11.0 m x 10.3 m deep together with associated generator house and gate house on piled foundations, chambers and site works.
5. Construction of pumping station SW11 approximately 19.0 m x 11.0 m x 11.0 m deep.
6. Construction of pumping station 8.3 m deep together with associated generator *house and gate house on piled foundations*, chambers and site works.
7. Supply and installation of all pumping plant and screening equipment at pumping station GT7, GT13 and SW11 together with all electrical installations and control gear.
8. Supply and installation of standby generators at the two generator houses together with all associated equipment.

Documents for the submission of tenders, comprising conditions of tender.

Conditions of contract

General specification, form of tender, particular specification, geotechnical appreciation, bill of quantities and drawings may be obtained from the tenders section of the Municipality of Benghazi on payment of 200 Libyan Dinars which shall not be refunded to the tenderer. Tenders shall be addressed to: The Secretary of the Central Tenders Committee, Benghazi.

Tenders shall be enclosed in a healed package marked: Tender for Benghazi Main Drainage Project — Phase 2 — Contract 200A (2).

The package shall bear no name or other mark indicating the sender. A covering any tender submitted without such covering letter will not be considered. When submitting letter mentioning the contents of the sealed package shall be attached to the tender and any tender submitted without such covering letter will not be considered. When submitting a tender the tenderer shall provide a preliminary guarantee deposit in the sum of 10,000 Libyan Dinars which will be refunded to the tenderer if his tender is not accepted.

The tender shall be valid and binding for a period of six months from the date of opening of the tenders. Tenders shall be delivered as above at or before 12.00 noon on 12th December, 1981.

CENTRAL TENDERS COMMITTEE FOR BENGHAZI MUNICIPALITY

THE SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

MUNICIPALITY OF BENGHAZI

BENGHAZI MAIN DRAINAGE PROJECT

PHASE 2 CONTRACTS

INVITATION FOR TENDERS FOR CONTRACT 204A

The People's Committee for the Municipality of Benghazi

Benghazi Main Drainage Project

The work to be executed under this contract is generally as follows:—

1. Construction of approximately 82 km of foul and stormwater sewers. Lateral and gully connections ranging from 150 mm diameter to 1,300 mm diameter.
2. Construction of manholes, gullies, inspection chambers and ancillary chambers.
3. Construction of pumping station GT2 approximately 23. 0m x 14.5 m x 9.0 m deep together with associated generator house and gate house, chambers and site works.
4. Supply and installation of all pumping plant at pumping station GT2 together with all electrical installations and control gear.
5. Supply and installation of standby generator at the generator house together with all associated equipment.

Documents for the submission of tenders, comprising conditions of tender.

Conditions of Tender

Conditions of contract, general specification, form of tender, particular specification, geotechnical appreciation, bills of quantities and drawings may be obtained from the tenders section of the Municipality of Benghazi on payment of LD 200 Libyan Dinars which shall not be refunded to the tenderer. Tenders shall be addressed to: The Secretary of the Central Tenders Committee, Benghazi.

Tenders shall be enclosed in a sealed package marked: "Tender for Benghazi Main Drainage — Phase 2 — Contract 204A."

A covering letter stating the contents of the sealed package shall be attached to the tender, and any tender submitted without such covering letter will not be considered. When submitting a tender the tenderer shall provide a preliminary guarantee deposit in the sum of LD 10,000 Libyan Dinars which will be refunded to the tenderer if his tender is not accepted.

The tender shall be valid and binding for a period of six months from the date of opening of the tenders. The tenders shall be delivered as above at or before 12.00 noon on 12th December, 1981.

CENTRAL TENDERS COMMITTEE FOR BENGHAZI MUNICIPALITY

APPOINTMENTS

Senior positions at Nat West Bank

Following the announcement that NATIONAL WESTMINSTER BANK has restructured its international banking division, three senior international executives have been appointed to the corporate financial services department: Mr Bob Currie, who has responsibility for aerospace, industrial and shipping sections, Mr Andrew Hassall, who takes overall charge of syndications, export finance and corporate cash management sections and Mr Hugh Jones who will be responsible for development projects and energy and natural resources sections.

Mr Currie and Mr Jones were previously senior managers in corporate financial services and Mr Hassall was senior vice-president, excutive office North America, New York.

Mr Ted Edwards has been appointed senior international executive, London office, North America and Mr Reg Sumpster, senior international executive, UK region.

★

Mr John W. G. Forbes has been appointed a partner and vice-president of BOYDEN ASSOCIATES INC.

★

Mr Leslie Layton has been appointed managing director of CARSON OFFICE FURNITURE, part of the Twinlock Group. He was sales and marketing director for G. A. Harvey Office Furniture.

★

Mr John Taylor has been appointed sales and marketing director of the VINE PRODUCTS GROUP. He succeeds Mr Phillip Davey who has joined Harveys of Bristol as sales and marketing director.

★

Mr J. C. Oscroft has been appointed a director of CARTER, WILKES AND FANE.

★

Mr Frank Ferguson has been appointed managing director of BRACOL PRODUCTS.

★

Mr Michael J. Hermann has been appointed commercial director of the industrial division of PHOENIX TIMBER.

★

AIMS OF INDUSTRY has appointed three council members. Mr Kenneth McAlpine, Lord Renwick and Mr C. W. Tickner.

★

Mr Brian K. Pettit has been made managing director of TIGER EUROPEAN FINANCIAL SERVICES, a part of Tiger International.

★

Mr Nicolas Paravicini has been appointed Deputy chairman; Mr Hans Rieppel has been made managing director and Mr Neil Campbell becomes a director of SARASIN INTERNATIONAL SECURITIES, a wholly-owned subsidiary of A. Sarasin and Cie, Basle.

★

Mr Arnold J. Grayson has been appointed director of research and development in the FORESTRY COMMISSION in succession to Mr David R. Johnston.

★

Mr David R. Wheeler has been appointed managing director of POLYTOP PLASTICS, a subsidiary of McKechnie Brothers.

★

COMMONWEALTH DEVELOPMENT FINANCE is to appoint Mr P. J. Dohrn as managing director on the retirement of Mr D. F. Pearl on March 31.

★

Mr Dennis Bexson has been appointed director of personnel, PLESSEY ELECTRONIC SYSTEMS. He joins from the Corporate Consulting Group where he was partner and director.

★

Mr George Woodberry, executive director of Mint Security, has been appointed to the board of SECURICOR INTERNATIONAL.

★

Mr T. I. McClymont has been appointed managing director of COLE ELECTRONICS, a subsidiary of the Cole Group.

★

SHEPHERD CONSTRUCTION has elected Mr Peter D. Allars, and Mr George E. Scott as directors.

★

Mr Alan Walker has been appointed commercial director and Mr John Spencer becomes works director of the GILLSAN COMPANY, a member of the United Spring and Steel Group.

★

Sir Alan Campbell will succeed Sir Donald Sargent as chairman of the SOCIETY OF PENSION CONSULTANTS in December. Before his retirement from the Diplomatic Service in 1979 Sir Alan was deputy under secretary of state, Foreign and Commonwealth Office, and then ambassador to Italy. After his retirement he was foreign affairs adviser to Rolls-Royce and he is a director of the National Westminster Bank and other companies.

★

THOMAS COOK TRAVELLERS CHEQUES has appointed to the board: Mr W. S. Thomson, Mr J. M. Down (a director of Thomas Cook Inc, U.S.), Mr T. C. Mackay, Mr I. W. Knox, and Mr J. R. Batten.

★

Mr David B. Spencer-Crow, director and general manager of the Evening Mail, Slough, a division of WESTMINSTER PRESS, will succeed M. Neville Rhodes as director and general manager of the Northern Press, South Shields, who has resigned. Mr Gerald M. Hughes, currently advertisement manager of the Evening Mail succeeds Mr Spencer-Crow as director and general manager of this division.

★

Following the decision of director Mr Peter A. Coles to retire in May 1982 the council of BSRIA has appointed Dr Derek P. Gregory as director-designate from January 1. Dr Gregory has been for 11 years vice-president, engineering research, at the Institute of Gas Technology in Chicago, U.S.

★

Mr John P. Friebe, group managing director of STODDARD HOLDINGS, has broadened his group role to become executive chairman of Stoddard group companies Templeton Carpets and Templeton Spinning. Mr I. F. Presly continues as managing director of Templeton Spinning, but Mr A. J. Lindsay, who was chief executive of Templeton Carpets when the company merged with Stoddard, will now rejoin Guthrie International. Mr T. W. A. Wright joins the Templeton Carpets board, and Mr A. Rennison, group company secretary, has joined the board of Douglas Reyburn and Co, Kilmarnock.

★

Sir John Wills has been appointed a member of BARCLAYS BANK'S Bristol local board. Mr Gerald Thorpe has been appointed assistant local director of Barclays Bank's London north-western district.

★

Mr Robert Phillis has been appointed managing director of CENTRAL INDEPENDENT TELEVISION, the company which will provide ITV programmes in the east and west Midlands in the new franchise period. He is currently managing director of Independent Television Publications, jointly owned by the 14 independent television companies, and whose principal publication is the TV Times Magazine.

★

The following appointments have been made within the KININMONTH INSURANCE GROUP: Mr J. W. Kininmonth has been appointed a director of P. W. Kininmonth (Holdings) and of Kininmonth Reinsurance Brokers, and Mr K. L. Leaney has been appointed a director of Kininmonth North America.

★

Mr Max Lander, joint senior partner of Duncan C. Fraser and Co (Consulting Actuaries) has been elected president of the NATIONAL ASSOCIATION OF PENSION FUNDS to succeed Mr George Ross Goobey.

★

Mr Michael Rowe, formerly director—marketing of TALBOT, is appointed director—integration and franchising, responsible for the integration of existing Peugeot and Talbot dealer networks in the UK and the future appointment of retail dealers. Mr Tudor Evans is appointed Talbot director—marketing, and will be responsible for all marketing activities. Both Mr Rowe and Mr Evans are located at Ryton. In addition, the new position of director—Peugeot and Talbot export division is that of Mr J. M. Pierre Frossard, who was formerly managing director of Peugeot Automobiles UK personal export sales. Mr Frossard is located in Park Lane, London.

★

Mr Roger S. Pratt has been appointed to the board of FIBRENYLE. The company's operational activities have been reorganised into two divisions, Beverage and Custom Moulding, with the following executives: Mr R. N. Bradford, director-in-charge, Beverage: Mr R. S. Pratt, director-in-charge, Custom Moulding: and Mr R. A. Scales, sales director, Custom Moulding. Mardon Packaging International is the parent concern.

★

Mr D. R. Davis and Mr J. A. Shaljean have been appointed chairman and managing director respectively of CONTINENTAL LIFE, a new company owned jointly by Continental Corporation of New York and Reed Stenhouse and Partners. Other directors of Continental Life are Mr J. M. Cole, Mr J. B. Devine, Mr W. F. Gleason, Mr W. T. Green (general manager and secretary), Mr J. D. Loudon and Mr J. H. Loynes.

★

Mr Nicholas A. W. Wheatley has been appointed group finance director of PATERSON JENKS, based at High Wycombe.

★

Dr E. A. Kellett has become director of the BRITISH GLASS INDUSTRY RESEARCH ASSOCIATION. The post had been vacant following the retirement of Mr Charles Thorpe.

★

Mr Denis Bulman, Texaco director of government relations, is to take early retirement and will become the private sector's manager for the Tyneside enterprise zone, a new concept by which the private sector will be given incentive to invest in certain specific areas of the UK.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Grimshawe Hldgs., Queen's Hotel, City Square, Leeds, 12.00
Heath (Samuel), Cobden Works, Leopold Street, Birmingham, 10.00
Land Investors, Churchill Hotel, Portman Square, W, 12.00

BOARD MEETINGS—
Finals:
BPM
Bryant
Wellco
Interims:
Bulgin (A. F.)
Gerrard and National
Marks and Spencer
Mothercare
New Throgmorton Tst

DIVIDEND & INTEREST PAYMENTS—
AGB Research 3.5p
Assam Trading B 1.5p
Babcock Intl. 3.4p
Blue Circle Inds. 5.75p
Dixons Photographic 2.17875p
Dowty Group 2.8p
Fluor Corp. 20 cts.
Heath (Samuel) 19p
Holt (Joseph) 2p
Ladbroke Group 3.608p
London United Invs. 4p
Mixconcrete 1.55p
Motorola Inc. 40 cts.
Moygashel Db. 3⅞pc
Quick (H. and J.) 0.53p
Wholesale Fittings 3.025p
Ynys Mon-Isle of Anglesey Var. Rate Red. 1983 £6.6875

TOMORROW

COMPANY MEETINGS—
Apex Properties, 243/247, Pavilion Road, Sloane Square, SW, 12.00
Capital and National Tst., P & O Bldgs., 122, Leadenhall Street, EC, 11.15
Scottish and Mercantile Inv., Winchester House, 100, Old Broad Street, EC, 12.00
Stoddard Hldgs., Glenpatrick Works, Elderslie, Renfrewshire, 12.00

BOARD MEETINGS—
Finals:
Ductile Steels
Medminster
Peachey Property
Saga Holidays
Interims:
Estate Duties Inv. Tst
Lawrence (Walter)
Lilley (F. J. C.)

DIVIDEND & INTEREST PAYMENTS—
Barclays Bank 10.5p
Blockleys 1.93p
Charterhouse Petroleum 0.25p
Jacobs (John I.) 0.7p
London and Liverpool Tst. 1.2p
Newbold and Burton 1.4p
Parkfield Foundries 0.525p
Scottish and Mercantile Inv. Ord. & A Ord. 5.5p
Wells Fargo 48 cts.

WEDNESDAY OCTOBER 21

COMPANY MEETINGS—
Christie-Tyler, Angel Hotel, Cardiff, 12.00
Electronic Machine, Great Eastern Hotel, Liverpool Street, EC, 12.00
Melody Mills, Grand Hotel, Leicester, 10.30
United Real Property Trust, Westbury Hotel, Conduit Street, W, 12.00

BOARD MEETINGS—
Finals:
Eleco
Kalamazoo
Tyzack (W.) and Turner
Interims:
British Home Stores
City of Oxford Inv Tst
Continental Union Tst
Francis Inds
Gill and Duffus
Hawker Siddeley
Jessel, Toynbee
London Brick
Smith St. Aubyn
Sun Life Assurance
Telephone Rentals

DIVIDEND & INTEREST PAYMENTS—
Alliance Tst. 3.25p. 4pcPf. 1.4pc. 5pcPf. 1.75pc. 4¼pcPf. 1.4875pc
Apex Properties 1.3p
Buckinghamshire Var. Rate 1982 £6.500
Philippines (Rep of) Flg. Rate Notes due 1986 $424.14
Provident Financial Group 2.42p
Sweden (Kingdom of) Flg./Fixed Bds. due 1991 $241.98

THURSDAY OCTOBER 22

COMPANY MEETINGS—
Christy Bros., 171, Broomfield Road, Chelmsford, Essex, 12.00
Danks Gowerton, Station Hotel, Dudley, West Midlands, 12.00
Gresham Invest. Tst., Barrington House, Gresham Street, EC, 12.00
Mountleigh Group, Leigh House, Stanningley, Pudsey, West Yorkshire, 3.00
Newmark (Louis), 143/149, Great Portland Street, W, 12.00
TR Energy, Mermaid House, 2, Puddle Dock, EC, 11.00
Telefusion, Connaught Rooms, Great Queen Street, WC, 12.30

BOARD MEETINGS—
Finals:
Free State Geduld
Low (Wm.)
McKechnie Bros
President Brand Gold Mining
President Steyn Gold Mining
Pressac
Ramar Textiles
Spencer Gears
Transvaal Cons. Land and Exp
Welkom Gold Mining
Western Hldgs
Interims:
East Rand Gold and Uranium
Hay (Norman)
Selincourt
Sphere Inv Tst

DIVIDEND & INTEREST PAYMENTS—
American Express Intl. Finance Corp. Gtd Flg. Rate Notes due 1982 $85.48
Anglo American Corp. of South Africa Notes 2½pc
Argyll Foods 1.5p
Brammer (H.) 2p
Calcutta Electric Supply Corp. Equity Rs 0.9. Pf. 3½pc
Christie-Tyler 3p
Danks Gowerton 0.5p
F and C Eurotrust 1.46p
Gresham Invest. Tst. 2.35p
Harrisons Malaysian Estates 5.5p. Do. 3p
House Property Co. of London 1.5p
Intl. Westminster Bank Flg. Rate Cap. Notes 1984 $85.15
Montfort (Knitting Mills) 1p
Morgan (J. P.) 77.5 cts. IDR's 77.5 cts.
Nichols (J. N.) (Vimto) 4.5p
Ofrex Group 1.17p
Raybeck 1.131p
Selcers Intl. 0.1p
Tiger Oats and National Milling 42 cts.
Union Bank of Finland Flg. Rate Cap. Notes 1982 $85.46
Websters Group 0.8p

FRIDAY OCTOBER 23

COMPANY MEETINGS—
Haynes Publishing, Manor Hotel, Yeovil, Somerset, 12.00
Howard Shuttering, George Inn, Epsom Road, Morden, Surrey, 10.30
Trafford Carpets, Mosley Road, Trafford Park, Manchester, 12.00

BOARD MEETINGS—
Finals:
Highland Electronics
Interims:
Allied Plant
Clayton, Son
Clive Discount
London Atlantic Inv Tst
Miller (F.) (Textiles)
Time Products
Upton (E.)

DIVIDEND & INTEREST PAYMENTS—
Bank Bumiputra Malaysia Berhad Flg. Rate Notes 1984 $85.78
Banks (Sidney C.) 4.25p
Black (A. and C.) 0.5p
British Electric Traction Dfd. 5.708p
CPC Intl. 48 cts.
Camellia Invs. 3p
Canadian Pacific Enterprises 28 cts.
Commercial Bank of Australia (London Reg.) 10 cts. Pf. 2pc
Invergordon Distillers 1.5p
Longton Industrial 1p
Mercury Money Market Tst. Ptg. Pf. 14p
National Westminster Finance Gtd Flg. Rate Notes 1992 $427.32
New Central Witwatersrand Areas 65 cts.
Newmark (Louis) 7p
Reardon Smith Line Ord. and A Ord. 1.75p
Sedgwick Group 2.25p
Sharpe (W. N.) Ord. and A Ord. 3.5p
Uttco Ord. and Dfd. 10.5 cts
Wagon Finance Corp. 0.625p

SATURDAY OCTOBER 24

DIVIDEND & INTEREST PAYMENTS—
Cardiff 11pc Red. 1985 5½pc
Diploma 7pcPf. 2.45pc
International Stores Lns. 2¼, 3¾, 3½pc

SUNDAY OCTOBER 25

DIVIDEND & INTEREST PAYMENTS—
Bankers Tst. New York Corp. $0.4625
British Invest. Tst. Db 2½pc
Daon Development Corp. 4 cts.
Exchequer 11pc 1991 5½pc
Macpherson (Donald) Ln. 5½pc
Manufacturers Hanover Corp. 68 cts.

Chinese airmen to visit Britain

A TEAM of senior Chinese air force officers will visit Britain on a fact-finding mission from October 25-31.

The delegation will visit RAF College, Cranwell, and see nearly every aspect of RAF training. It is hoped that some of the officers will be able to fly in British jet training aircraft.

Airport's trade rises by 30%

THE EAST Midlands airport at Castle Donington has increased its turnover by nearly 30 per cent in the past financial year, to just more than £5m. Net trading profits rose by almost 10 per cent, to £1,104,000.

Mr Eric Dyer, airport director, said that in a year plagued by difficulties for industry and commerce the airport had once again turned in records for traffic increases and passenger growth. He forecast that this year would again show growth in business activity.

Butterfly goes into decline

THE FUTURE of Britain's most endangered butterfly looks bad. The World Wildlife Fund said yesterday that the population of the heath fritillary "has declined beyond even the most pessimistic estimates made less than a year ago."

A survey conducted in 1980 concluded the bright orange-brown butterfly would become extinct in Britain in a few years. Several of last year's 31 remaining colonies have been abandoned and the largest, in Kent, is much reduced.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Oct 20-29	International Business Show (01-405 6233)	NEC, Birmingham
Oct 20-23	London Fashion Exhibition (01-385 1200)	Olympia
Oct 21-31	Motorfair (01-385 1200)	Earls Court
Oct 24-28	International Automotive Parts and Accessories Trade Show—AUTOPARTAC (0494 41548)	Cunard Intl. and West Centre Hotels
Oct 27-29	British Marine Trade Exhibition (0932 54511)	Metropole Centre, Brighton
Oct 27-29	Computer Graphics Exhibition (09274 28211)	Bloomsbury Centre
Oct 27-29	Electronic Test and Measuring Instrumentation Exhibition—TESTMEX (0822 4671)	Wembley Conference Centre
Oct 28-Nov 8	Model Engineering and Hobbies Exhibition (0455 637173)	Bingley Hall, Birmingham
Nov 3-6	Health & Safety at Work Exhibition (01-688 7788)	Wembley Conference Centre
Nov 5-10	Kensington Antiques Fair (04868 22562)	Town Hall
Nov 8-12	International Domestic and Contract Textiles Exhibition — DACTEX (01-572 2121)	NEC, Birmingham
Nov 10-11	Vending Equipment, Refreshment Services and Supplies Exhibition (0732 356444)	Bloomsbury Centre Hotel
Nov 10-15	International Furniture Show (01-724 0851)	NEC, Birmingham
Nov 12-22	Caravan Camping Holiday Show and Mobile Homes (01-353 4000)	Earls Court
Nov 15-18	Times and Sunday Times Business to Business Exhibition (01-729 0677)	Belle Vue, Manchester
Nov 17-20	Computer Peripheral and Small Computer Systems Exhibition and Conference (01-643 8040)	Olympia
Nov 23-29	International Food Wine and Kitchen Exhibition (06284 2442)	Bristol
Nov 25-27	Life Insurance Congress and Exhibition (01-580 8881)	Wembley Conference Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Flower and Horticultural Show (01-540 1101) (until Oct 25)	Copenhagen
Current	International Exhibition of Women's Ready-Made Clothing (01-439 3964) (until Oct 21)	Paris
Oct 19-23	International Water Exhibition and Conference (01-272 4287)	Bombay
Oct 20-23	International Security, Safety and Protection of Mankind and Property—EUROPROTECTION/EUROSECURITY (01-486 1951)	Paris
Oct 21-27	International Petroleum and Gas Exhibition (01-235 2423)	Moscow
Oct 27-31	Electrical Engineering Exhibition (01-540 1101)	Berlin
Oct 28-31	International Sports, Swimming Pools and Leisure Facilities Trade Fair (01-409 0956)	Cologne
Oct 30-Nov 10	Tokyo Motor Show	Tokyo
Oct 30-Nov 11	International and Gastronomic Fair (0271 812968)	Dijon
Nov 3-7	International Engineering Exhibition (01-681 7688)	Seoul
Nov 4-5	Resins and Pigments Exhibition (0737 68611)	Milan

BUSINESS AND MANAGEMENT CONFERENCES

Oct 20-22	Welsh Development Agency: "Hi-Tec" in Gwent (044385 2666)	Newport
Oct 21	Gower: Insolvency 1981 (01-240 5931)	Park Lane Hotel, W1
Oct 21-22	Energy Business Centre: Energy Projects Information Conference (01-439 9021)	Connaught Rooms, WC2
Oct 21-23	PPA: Team-Talks '81—for those in periodical publishing (01-937 8000)	Royal Garden Hotel, W8
Oct 24-25	Thames Polytechnic: Starting Your Own Business? (01-854 2030)	Polytechnic, SE18
Oct 27	LCCI: Focus on mainland Spain and the Canary Islands (01-248 4444)	69 Cannon Street, EC4
Oct 28	Dun and Bradstreet: More Effective Trade Credit Management (01-247 4377)	Albany Hotel, Birmingham
Oct 28-29	Croner: Employment Law Update (01-942 8966)	Kensington Close Hotel, W8
Oct 28-30	Institute of Purchasing and Supply national conference (0990 23711)	Harrogate
Oct 29-30	AMR: Management Buy-Outs (01-262 2732)	Royal Garden Hotel, W8
Oct 30	Local Radio Association discussion meeting (01-883 7229)	Connaught Rooms, WC2
Nov 4-6	American Tax Institute: International aspects of U.S.-European Taxation (Paris (1) 256 3370)	Carlton Hotel, Cannes
Nov. 5	London Export: Nigeria—Future Programmes (0822 3577)	Churchill Hotel, W1
Nov 9	Sweet and Maxwell: The Law and Practice of International Finance (01-583 9855)	Hilton Hotel, W1
Nov 12	IPS: Computer Purchasing (0990 23711)	Tower Hotel, E1
Nov 13	Bath Chamber of Commerce: The New Industrial Challenge (0225 60655)	Beaufort Hotel, Bath
Nov 17-18	Gower: International Treasury Management (01-240 5931)	Waldorf Hotel, WC2
Nov 17-18	Oyez: Implications of change in the London Gilts and Money Markets (01-242 2481)	Royal Garden Hotel, W8
Nov 17-20	European Congress for the Organisation of Financial Institutions (Luxembourg 2 09 31)	Luxembourg
Nov 18-20	First World Congress on Management Development (0234 48338)	Mark Lane, EC1
Nov 19	IPS: Telecommunications—the Changing Market (0990 23711)	Metropole Hotel, W2
Nov 19-20	Gower: Offshore Workshop '81—Construction and Supply Contracts (01-240 5931)	Café Royal, W1
Nov 23-24	MSS: Computer Appreciation for Managers/Users (0903 34755)	Worthing
Nov 24	Oyez: Purchase of Own Shares and Accounting Problems (01-242 2481)	Carlton Tower, SW1
Nov 24	Wm. Mercer: Employee Benefits in the U.S. (01-405 4343)	Royal Garden Hotel, W8
Nov 24-26	Seatrade Academy: Ship Finance (0223 353451)	Hong Kong

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

HONG KONG

1981 High	Low	Oct. 16	Price H.K. $
38.75	18.5	Cheung Kong	19.40
3.55	2.20	Cosmos Prop.	2.50
10.60	7.90	Cross Harbour	9
176	99.5	Hang Seng Bank	109
8.75	4.20	HK Electric	4.98
10.80	5.00	HK Kowloon Wh.	8.50
14.8	7.6	HK Land	8.20
20.1	12.2	HK Shanghai Bk.	13.80
28.70	15.9	HK Telephone	17.50
25.5	13	Hutchison Wpa	15.40
27.70	12.5	Jardine Math	13.90
7.30	4.05	New World Dev.	4.80
7.60	4.15	O'seas Trust Bk.	5
21.60	7.2	SKH Props	9.30
20.3	9.7	Swire Pac A	11.50
9.10	4.95	Wheel'k Mard A.	5.90
6.0	4.10	Wheel'k Maritl'e	5.30
5.40	2.00	World Int. Hldgs.	2.50

JAPAN

1981 High	Low	Oct. 16	Price Yen
1,020	745	Ajinomoto	788
911	540	Amada	651
636	378	Asahi Glass	570
620	450	Bridgestone	480
1,870	710	Canon	1,020
467	335	Citizen	343
775	607	Daiei	595

BRAZIL

1981 High	Low		Price Cruz
1.90	0.76	Acesita	1.50
7.59	3.05	Banco Brasil	7.59
1.57	1.40	Banco Itau	1.55
4.00	1.50	Belgo. Min.	4.00
4.21	3.80	Logas Amer.	3.70
5.80	2.12	Petrobras PP	5.80
1.70	1.05	Pirelli OP	1.20
9.95	2.05	Souza Cruz	9.95
7.50	4.90	Unip PE	6.50
10.80	4.50	Vale Rio Doce	10.20

Irish Sea car ferry fares up

SEALINK passenger car ferry fares across the Irish Sea will be increased from November 1. A monthly return between Fishguard and Rosslare, and Holyhead and Dun Laoghaire, will rise from £14.30 to £16.50, while the ordinary single goes up from £13.00 to £15.00. The new monthly return fare from London will cost £38.20. Fares on Sealink's passenger ferry route across the Thames between Gravesend and Tilbury will also increase from November.

Brittany Ferries is offering a 20 per cent old age pensioners' discount on a new minicruise on the Plymouth-Santander car ferry route.

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Development bank sees liquidity crisis looming in Latin America

BY HUGH O'SHAUGHNESSY

LATIN AMERICA is facing a grave liquidity crisis in its financial relationships with the rest of the world. This sombre warning is contained in the annual report on economic and social conditions in the region published today by the Washington-based Inter-American Development Bank.

Pointing to the sharp rise in the share of export revenues being consumed by public sector debt service payments by the Latin American countries, the IDB says this debt service ratio is "a warning signal of liquidity problems, and its rapid deterioration cannot be ignored."

The bank reports that Latin America's external public debt shot up from $57.8bn in 1975 to $145.5bn in 1979 and that maturities shortened. In the same period service payments rose from $6.6bn to $25bn. The share in public external debt which was owed to private banks rose appreciably during the 1970s as a result of the drying up of funds from international financial institutions and foreign governments.

At the beginning of the decade private banks had been responsible for less than a quarter of these liabilities but their share had reached 58.7 per cent by 1979. Putting the debt service ratio for the region as a whole in 1979 at 28.5 per cent and for the principal borrowers — such as Argentina, Brazil, Chile and Mexico — at 31.9 per cent, the bank says that both percentages virtually doubled in the period 1975 to 1979.

The bank adds that the position takes no account of the large and growing foreign debt contracted by the private sector in Latin America.

At the same time, the region's international reserves have been falling. The current account deficit last year was probably about $27bn, which was brought about by the emergence of a deficit on the merchandise trade account and a growing negative balance on the services account, the latter due mostly to higher interest payments. Net capital income was not enough to cover the current deficit and reserves fell by an estimated $1.4bn. The bank says it is "imperative" that Latin America has access to foreign markets in order to boost its export earnings, and to foreign capital at the right cost and with the right maturity.

Gulf bank to increase capital

By Peter Montagnon, Euromarkets Correspondent

GULF INTERNATIONAL Bank expects to raise its subscribed capital to BD 100m ($265m) from BD 68m early next year to allow for future expansion, according to Dr Khalid al-Fayez, its general manager.

This would bring the capital up to its present authorised limit, he said in an interview. The bank is owned by the governments of Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Dr al-Fayez said that while the bank would continue to expand in absolute terms, its growth would not be at the same rate as in recent years.

Last year its total assets grew to $2.89bn from $1.44bn at the end of 1979. This year was likely to close with assets of around $4.5bn, he said.

The bank has now reached a stage of growth where it needs to look more closely at return on assets than at return on equity, Dr al-Fayez said. Previously, when it was less heavily geared, profits had to come through a higher volume of business, but now its equity to assets ratio was "about right," he said, and return on assets had become more important.

At the end of June shareholders' equity amounted to $212m, while Gulf's balance sheet total was $3.74bn.

Sharp reversal for Nashua

By Our New York Staff

NASHUA, the U.S. copier and office products company, suffered a sharp earnings reversal in the third quarter. It earned $900,000 on sales of $155.2m, down from $4.9m on sales of $161.7m.

The company blamed currency translation losses and high interest charges

Northrop wins Stealth deal

By David Lascelles in New York

NORTHROP, the Los Angeles-based military aircraft maker, has been selected by the Administration as the prime contractor for the U.S. Air Force's Stealth bomber, the new generation of bomber which will be able to avoid radar detection. Part of the work will also go to Boeing, LTV's Vought Division and General Electric.

The stealth bomber uses advanced technology and specialised designs to make it virtually undetectable by radar. Although it has not yet flown it has been on the drawing board for some time. Air Force officials have said in previous testimony that they expect the protoype to fly by 1984 and be ready for service by the end of the decade. Development costs are put at about $10bn.

Taj hotel group plans strong overseas expansion

BY R. C. MURTHY IN BOMBAY

THE TAJ GROUP of hotels, owned by Mr J. R. D. Tata, is expanding overseas in a big way. Through its subsidiary, Taj International, it recently acquired Bailey Hotel in London. Its annual report for the year to March 31 says that Taj is negotiating with "some parties" in the UK for management of hotels in that country.

The Indian Hotels Company (IHC), the corporate entity for the Taj group of hotels, has invested $4m in Taj Lanka Hotels, which is establishing a five-star hotel in Colombo with the assistance of International Finance Corporation. The cost of the hotel has risen from $29m to $35.50m.

Taj has raised an offshore loan of $1.5m from the Hongkong and Shanghai Banking Corporation and $2.5m will come from the export of Indian equipment for the project.

The International Finance Corporation has asked Taj to raise its contribution from $4m to $4.5m to match its assistance for the cost over-run. IHC proposes to raise $500,000 on the international market.

The company is expanding and diversifying its activities within the country. It is building a 500-room hotel of international standards in New Delhi in collaboration with Delhi Development Authority.

There was a squeeze on Taj's profit margin in 1980-81. Gross revenue increased 19 per cent to Rs 315.4m ($34.85m)

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. p. or Amount	Times covered	Gross yield	P.E. ratio
§110	F.P.	13/11	133	120	Habitat	122	−2	u3.6	1.4	4.2	22.8
62	F.P.	2/10	56½	43	Jeavons Eng.	43	......	b3.75	1.7	12.5	5.6
28	F.P.	30/10	30	24	✠Lon. Private Health	27	−1	—	—	—	—
§100	F.P.	30/10	103	97	MarineAdv.SailTst.£1	97	......	—	—	—	—
—	F.P.	—	180	148	Nippon Electric	158	......	Q825%	2.9	1.0	34.2
100	F.P.	26/10	105	94	Precious Metals Tst.	105	......	—	—	—	—
—	F.P.	18/9	14	10	Stewart Ent. Warrs.	11	......	—	—	—	—
—	F.P.	16/10	165	155	✠UtdFrdl'yins.B.R.V.	158	......	h6.25	—	5.7	—
§15	F.P.	25/9	17½	7	✠Willaire Systems10p	10	......	—	—	—	—
¶¶	F.P.	11/9	15	6	Do. Rest. Div.10p	6	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
¶¶	F.P.	—	127	110	Amal Dist. Products 10 Cv. Ln. 97	115	......
‖	Nil	26/10	½pm	⅛pm	Austin (F.) Leyton 11½%PtlyCnv.Red1994	¼pm	......
100	£40	20/10	38⅞	37½	Birmingham Drop-Lock '86/93	38¼	−¼
¶¶	F.P.	—	64	62½	Brooke Bond Leibig 8% Deb. '87/92	62½	......
**	F.P.	—	99½	92	Hawley Leisure 12½% Cum. Pref.	92	......
§100	F.P.	—	100⅛	98	Nat'wide Bdg Society14¼%Bds(25/8/82	98⅛	......
§100	F.P.	—	99¾	98¾	do 15¾% Bds (23/8/82)	99¼	......
100	£10	—	101	100¼	Portsmouth 10% Prf. 1986	101	......
—	—	—	3p	½p	Sterling Credit Warrants	2¼p	−¼
97.33	£30	—	29¾	27	Utd. Mexican States 16½% Ln. 2008	28⅛	−¾
¶100	F.P.	24/9	101½	100½	York Waterworks 10% Red. Pref. '85	101	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
10	F.P.	9/10	11/11	13½	10¼	Astra Ind.	11	+½
225	F.P.	2/10	6/11	269	223	BICC	232	−7
14	Nil	—	—	6pm	3pm	British Benzol	3pm	−1½
275	125p	13/7	2/12	182	104	BP	138	+8
76	F.P.	13/10	12/11	78½	71	Brown (J.)	73	......
182	Nil	23/10	27/11	9pm	½pm	Foseco Minsep	2¼pm	−½
90	Nil	21/10	26/11	12pm	¼pm	Heelamat	12pm	−1
12½	F.P.	9/10	18/9	30½	19	Jantar	19	......
110	F.P.	7/9	19/10	133½	106	Laird Grp.	113	......
107	F.P.	30/9	8/1	121	98	Morgan Crucible	100	−4
112	F.P.	25/9	6/11	125	102	Trusthouse Forte	111	......
360p	F.P.	9/9	9/10	560	359	Utd. Scientific	432	−5
250	Nil	22/10	19/11	32pm	12pm	Viner's Units	17pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Comprising 50 Ordinary of 1p and £1 of 10 per cent Loan 1988.

ACM'S BIG BELL GOLD DRILLING

Latest drilling by Australian Consolidated Minerals at the Big Bell gold prospect at the Murchison goldfield in Western Australia has given encouraging results.

Drillhole BBD 5E produced a 12-metre intersection on the lode assaying 3.6 grams gold per tonne. BBD 9E produced an intersection on the lode of 17.1m assaying 10.0 grams per tonne. BBD 9D produced an intersection on the lode of 4.5m assaying 5.4 grams per tonne.

Hole BBD 32A, which is the deepest hole so far drilled at Big Bell, intersected the lodge at a vertical depth of 1,290m

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
Akroyd and Smithers	Nov 20	Final 18.0
Allied Irish Banks	Nov 12	Int. 3.5
Aust. and N.Z. Banking	Nov 17	Final 12c.
*Bank of Ireland	Nov 5	Int. 8.0
Beecham	Nov 19	Int. 3.098
Boots	Nov 13	Int. 2.875
Brit. and Com. Shipping	Nov 18	Int. 5.5
*Brit. Home Stores	Oct 21	Int. 1.75
British Sugar	Nov 13	Final 12.65
Brooke Bond	Oct 21	Final 2.655
Burton	Nov 18	Final 3.5
Cater Ryder	Nov 10	Int. 4.287
*Chloride	Nov 11	Int. 1.7
Chubb	Nov 12	Int. 1.947
Coates Bros	Oct 28	Int. 0.88
Coats Patons	Oct 30	Int. 1.4
Common Bros	Nov 12	Final 9.0
De La Rue	Nov 11	Int. 6.6
Duport	Oct 22	Int. nil
Eastern Produce	Nov 21	Int. 1.4
Extel	Nov 20	Int. 2.25
Flight Refuelling	Nov 12	Int. 0.95
GEI Intl.	Nov 18	Int. 1.76
*Gerrard and Nat.	Oct 19	Int. 5.0
*Gill & Duffus	Oct 21	Int. 3.6
Great Portland Estates	Nov 10	Int. 1.0
*H.A.T.	Nov 17	Int. 1.25
*Hambros	Nov 24	Int. 65.0
Harrisons and Crosfield	Oct 28	Int. 7.5
*Hawker Siddeley	Oct 21	Final 3.0
Hill Samuel	Nov 12	Int. 2.2
Hepwth. (J.)	Oct 30	Int. 3.0
Kwik Save	Nov 20	Final 2.7
Land Secs.	Nov 11	Int. 2.5
London Brick	Oct 21	Int. 1.734
*London and Northern	Oct 28	Int. 1.4
*Lucas Inds.	Nov 9	Final 6.4
*Marks and Spencer	Oct 19	Int. 1.5
*Metal Box	Nov 23	Int. 4.2
*Mothercare	Oct 19	Int. 1.82
Nat. Bank Australia	Nov 19	Final 9.5c.
*Peachey Property	Oct 20	Final 2.5
Powell Duffryn	Nov 20	Int. 4.7
Press (Wm.)	Oct 30	Int. 0.6
Readicut Intl.	Nov 18	Int. 0.55
Reed Intnl.	Oct 28	Int. 4.0
Renold	Nov 20	Int. 2.0
Rothmans Intl.	Nov 19	Int. 1.0
Sainsbury (J.)	Nov 5	Int. 4.5
Samuel Props.	Nov 6	Final 3.1
Sketchley	Nov 4	Int. 2.8
Smith (W.H.)	Nov 19	Int. 0.28
Smith Inds.	Nov 11	Final 6.3
Tesco Stores	Nov 18	Int. 1.6
Tozer Kemsley	Oct 28	Int. 1.59
UBM	Oct 21	Int. 2.0
Whitbread	Nov 10	Int. 2.1
Wolseley-Hughes	Nov 14	Final 8.1

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Share stakes

CCP North Sea Associates—Cluff Oil has purchased 42,895 ordinary shares and holds 2,352,495 (29.98 per cent).

RCF Holdings — Bardsey's wholly-owned subsidiary — London and European Assets—has bought 66,070 ordinary shares making a holding of 823,736 (9.93 per cent).

Anglo-Indonesian Corporation—Board announce that they have today purchased through a subsidiary 144,000 ordinary Baraoora Tea Holdings (10 per cent). Following this acquisition, Anglo-Indonesian Corporation holds 14.97 per cent.

John C. Small and Tidmas—Zahid Industries and Investment Company of Jeddah, Saudi Arabia, has increased its holding by a further 2,000 ordinary shares and holds 166,612 shares (13.88 per cent).

Beatson Clark — Mr J. F. B. Clark, director, disposed of 20,000 ordinary shares in Berec group.

Wyndham Engineering Company—H. Stanley Jones has disposed of his holdings of 154,371 shares (25.72 per cent). Abbey Line (of which Mr H. Stanley Jones is a director) has disposed of 25,329 shares (4.22 per cent). Batri has acquired 112,000 shares (18.67 per cent). Brownhill Holdings has acquired 67,700 shares (11.28 per cent).

Steel Brothers Holdings—As a result of the purchase of 150,000 ordinary shares Tamween Holdings is interested in a total of 1.69m (15.18 per cent).

London and Liverpool Trust—Astlebridge has sold 119,000 ordinary shares.

Avon Rubber Co.—Max Morel (Nominees), registered holder of 190,000 ordinary shares, is having registered or will shortly be registering further shares bringing the number held to 340,000 (just over 5 per cent).

Town and City Properties—On October 7 Mr P. H. Gimson, director, exercised an option to acquire 65,000 ordinary shares at 10.5p. On October 9 Mr C. D. Stewart-Smith, director, sold 37,500 at 22.5p.

CURRENCIES, MONEY and GOLD

Interest rates on the merry-go-round

BY JONAS CROSLAND

In the good old days when short-term money in the interbank market was 15 per cent and rates trickled away to 12 per cent for one year, changes from day to day and week to week seemed to be comparatively smooth. The revisions to monetary control implemented in August changed the situation. In the last seven weeks banks' base rates have moved three times as the authorities have supposedly left the market to find its own level. This is unfortunate for not only do erratic movements generate uncertainty, they present problems for other structures relating directly to base rates.

A good example came to light last week when building societies increased mortgage rates to 15 per cent after a four-point rise in base rates to be followed days later by a half point cut in base rates. That was on Wednesday and even since then rates have started to turn up again. The rise in base rates was initiated with a nudge from the Bank of England primarily in reaction to sterling's sharp fall. The effect was not immediate but eventually sterling recovered quite handsomely so that domestic rates eased back a little and base rates fell half a point. Now sterling is starting to weaken and unless someone changes the rules the game could go on indefinitely.

Sterling's ability to hold its own while rates decline will depend to some extent on how U.S. rates are behaving. Recently U.S. rates slipped below corresponding UK rates but the effect on sterling was imperceptable. This may have reflected growing speculation that U.S. rates are set to reach record levels early next year. True or not, one can hardly ignore the continued high level of the authorities' funding requirements.

The moral of the story could be that little should be assumed just because base rates fall half a point—U.S. prime rates have a nasty habit of halving or doubling over remarkably short periods. Given a free rein and a chance to acclimatise, market forces should ensure that base rates remain static for only short periods so that building societies and the like may well have to adopt a more flexible approach or become part of a large and expensive merry-go-round.

THE POUND SPOT AND FORWARD

Oct 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8220-1.8470	1.8330-1.8350	0.07c pm-0.03 dis	0.13	0.13-0.23dis	−0.39
Canada	2.1925-2.2200	2.2045-2.2065	0.55-0.65c dis	−3.26	1.50-1.70dis	−2.90
Nethlnd.	4.50-4.55	4.52½-4.53½	1⅛-⅞c pm	2.65	3⅞-3⅛ pm	3.20
Belgium	68.40-69.10	68.75-68.85	15-25c dis	−3.49	70-85 dis	−4.50
Denmark	13.11-13.25	13.18-13.19	1½-2½ore dis	−1.71	3½-5½ dis	−1.36
Ireland	1.1530-1.1630	1.1565-1.1585	0.40-0.50p dis	−4.66	1.15-1.33dis	−4.28
W. Ger.	4.08-4.14	4.10-4.11	1⅞-1⅝pf pm	4.75	4¾-4½ pm	4.38
Portugal	116.50-119.25	118.00-118.40	185-390c dis	−29.19	135-680dis	−13.45
Spain	174.40-175.90	175.40-175.70	5-30c dis	−1.20	60-95 dis	−1.76
Italy	2165-2190	2177½-2179½	6¾-9½ lire dis	−4.54	29½-33½ dis	−5.78
Norway	10.81-10.97	10.90-10.91	3⅛-2ore pm	2.82	7-5¾ pm	2.34
France	10.23-10.35	10.27-10.28	1¼-2⅛c dis	−2.04	6-7½ dis	−2.63
Sweden	10.03-10.19	10.16-10.17	3⅛-2⅞ore pm	3.25	9⅛-8⅛ pm	3.44
Japan	420-428	422½-423½	3.40-3.10y pm	9.22	9.10-8.90 pm	8.46
Austria	28.30-28.90	28.75-28.80	12-7gro pm	3.96	23½-13½ pm	2.57
Switz.	3.41-3.46	3.42½-3.43½	1½-1⅛c pm	4.81	4⅛-3⅞ pm	4.81

Belgian rate is for convertible francs. Financial franc 75.15-75.25. Six-month forward dollar 0.60-0.70c dis, 12-month 1.20-1.40c dis.

THE DOLLAR SPOT AND FORWARD

Oct 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8220-1.8470	1.8330-1.8350	0.07c pm-0.03 dis	0.13	0.13-0.23dis	−0.39
Ireland†	1.5770-1.5870	1.5770-1.5800	0.70-0.60c pm	4.93	1.65-1.45 pm	3.92
Canada	1.2010-1.2040	1.2028-1.2031	0.32-0.35c dis	−3.34	0.72-0.76dis	−2.46
Nethlnd.	2.4530-2.4800	2.4710-2.4760	0.65-0.55c pm	2.90	2.28-2.18 pm	3.60
Belgium	37.37-37.64	37.54-37.56	2-10c dis	−1.91	24-32 dis	−2.98
Denmark	7.1650-7.2125	7.1900-7.1900	0.70-0.95ore dis	−1.38	1.60-2.10dis	−1.03
W. Ger.	2.2250-2.2450	2.2370-2.2390	0.86-0.80pf pm	4.45	2.74-2.68 pm	4.84
Portugal	64.00-64.70	64.40-64.70	50-210c dis	−24.22	70-350 dis	−13.04
Spain	95.10-95.90	95.65-95.75	7-15c dis	−1.38	25-45 dis	−1.46
Italy	1177-1192	1189-1190½	5-6½ lire dis	−5.79	17-19 dis	−6.04
Norway	5.9200-5.9610	5.9300-5.9400	1.40-1.00ore pm	2.43	4.10-3.70 pm	2.63
France	5.5600-5.6300	5.6025-5.6075	0.70-1.20c dis	−2.03	2.75-3.50dis	−2.23
Sweden	5.5100-5.5420	5.5250-5.5350	1.60-1.45ore pm	3.31	5.45-5.30 pm	3.89
Japan	230.25-231.75	230.45-230.55	1.80-1.65y pm	8.98	5.15-5.00 pm	8.81
Austria	15.58-15.72	15.66-15.67	6.20-4.70gro pm	4.17	14½-10½ pm	3.19
Switz.	1.8330-1.8820	1.8695-1.8705	0.82-0.72c pm	4.94	2.56-2.48 pm	5.39

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Oct. 16 ($)	Oct. 16 (£)	Oct. 15 ($)	Oct. 15 (£)
Gold Bullion (fine ounce)				
Close	$444-446	(£242¾-243¾)	$443½-445½	(£238½-239¾)
Opening	$441½-442½	(£240-240½)	$447-448	(£239½-240)
Morning fixing	$441.25	(£239.458)	$446.85	(£240.048)
Afternoon fixing	$443.75	(£242.089)	$446.65	(£240.005)
Gold Coins				
Krugerrand	$458-459	(£249½-250)	$457-459	(£245¾-247)
1/2 Krugerrand	$235½-236½	(£128¼-128¾)	$234-257	(£125¾-127½)
1/4 Krugerrand	$120-121	(£65¼-66)	$119-122	(£64-65½)
1/10 Krugerrand	$49-50	(£26¾-27¼)	$48-51	(£25¾-27½)
Mapleleaf	$458-461	(£249½-251)	$457-459	(£245¾-247)
New Sovereigns	$108½-109½	(£59-59½)	$108-110	(£58-59)
King Sovereigns	$122-124	(£66¾-67¾)	$123-125	(£66¼-67¼)
Victoria Sovs.	$122-124	(£66¾-67½)	$123-125	(£66¼-67¼)
French 20s	$134-138	(£72½-74¼)	$134-138	(£72½-74½)
50 pesos Mexico	$550-553	(£299½-301¼)	$550-553	(£297¼-299)
100 Cor. Austria	$430-433	(£234¼-235¾)	$430-433	(£232½-234)
$20 Eagles	$596-601	(£324½-327¼)	$596-601	(£322-324½)

OTHER CURRENCIES

Oct. 16	£	$		£ Note Rates
Argentina Peso	11,049-11,069†	6017-6037†	Austria	28.65-28.95
Australia Dollar	1.6015-1.6055	0.8745-0.8750	Belgium	74.75-75.75
Brazil Cruzeiro	202.06-203.06	110.12-110.67	Denmark	13.17-13.32
Finland Markka	8.043-8.066	4.4020-4.4040	France	10.22-10.37
Greek Drachma	101.339-104.441	56.30-56.60	Germany	4.08½-4.13½
Hong Kong Dollar	10.98½-11.01¾	6.01-6.02	Italy	2165-2250
Iran Rial	146.50*	79.20*	Japan	424-429
Kuwait Dinar (KD)	0.515-0.521	0.2817-0.2820	Netherlands	4.51¼-4.56¼
Luxembourg Fr.	68.75-68.85	37.54-37.56	Norway	10.89-11.01
Malaysia Dollar	4.1770-4.1870	2.2850-2.2900	Portugal	116-130
New Zealand Dlr.	2.2235-2.2285	1.2135-1.2145	Spain	172-184
Saudi Arab. Riyal	6.26-6.32	3.4175-3.4205	Sweden	10.13-10.22
Singapore Dollar	3.8140-3.8240	2.0865-2.0915	Switzerland	3.41-3.45
Sth. African Rand	1.7525-1.7545	0.9555-0.9565	United States	1.82-1.84
U.A.E. Dirham	6.73-6.79	3.6700-3.6750	Yugoslavia	79-82

† Rate given for Argentine is the commercial rate. The financial rate for sterling 15,082-15,102 and for the dollar 8,200-8,250

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Oct. 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	15⅜-15⅝	15-15¼	17-18	12½-12¾	7⅝-8½	11¾-11⅞	17-17½	16½-19½	12-16	6-6½
7 days' notice	15⅝-15⅞	15¼-15½	17-18	12½-12¾	7¾-8¼	11 13/16-11 15/16	17-17½	18½-21	14½-16½	6⅜-6⅝
Month	16-16⅛	15½-15¾	18⅝-19	12½-12⅝	10 11/16-10 13/16	11-11⅛	17½-18	20-22	17¾-18¾	6⅞-7⅛
Three months	16-16⅛	16¼-16½	18⅝-19	12½-12⅝	10⅝-10¾	11 1/16-11 3/16	18-18¾	21½-22½	19¼-19¾	7⅜-7⅝
Six months	16 1/16-16 3/16	16 7/16-16 9/16	18⅝-19	12¼-12⅜	10⅜-10⅝	11 1/16-11 3/16	18¼-19½	22-23	19¼-19¾	7 7/16-7 11/16
One Year	15⅞-16	16 7/16-16 9/16	18⅝-19	12-12 3/16	10-10½	11-11⅛	18¾-19½	22-23¼	17½-18½	7⅞-8⅛

SDR linked deposits: one month 13 13/16-14 1/16 per cent; three months 14⅜-14⅝ per cent; six months 14⅜-14⅝ per cent; one year 14⅜-14⅝ per cent.

ECU linked deposits: one-month 14¾-14⅞ per cent; three months 14⅞-15 per cent; six months 14 13/16-15 1/16 per cent; one year 14 13/16-15 1/16 per cent.

Asian $ (closing rates in Singapore): one month 15 9/16-15 11/16 per cent; three months 16 1/16-16 3/16 per cent; six months 16⅜-16½ per cent; one year 16 5/16-16 7/16 per cent. Long-term Euro-dollar two years 16½-16¾ per cent; three years 16⅝-16⅞ per cent; four years 16¾-17 per cent; five years 16⅞-17⅛ per cent nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one month 15.30-15.40 per cent; three months 16.80-16.90 per cent; six months 16.10-16.20 per cent; one year 16.10-16.20 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. OCTOBER 16)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 1/4	offer 16 3/8	bid 16 1/2	offer 16 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 16 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	12-15¾	16½-15⅝	—	—	15½-16	14-15⅜	—	—	—
2 days notice	—	—	15¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15½-15⅞	15¾-15⅞	—	15⅞	15⅞-16¼	15-15⅜	—	—	—
One month	16⅛-15 15/16	15⅞-16⅛	15¾	16⅜-16⅛	16⅛	16¼-16⅜	16¼-15⅜	16¼-15 15/16	15 15/16	16¼
Two months	16⅛-15 15/16	15⅞-16⅛	—	16⅜-16	16⅛	16⅜	16⅛	15⅜-15½	15½	16 1/16
Three months	16⅛-15 15/16	15⅞-16⅛	15¾	16⅜-16	16⅛	16⅜	15⅛	15⅜-15 7/16	15 7/16	15 13/16
Six months	16 1/16-15⅞	15⅞-16⅛	15¾	15¾-15½	16⅛	—	—	—	14⅞	15½
Nine months	15 15/16-15 13/16	15¾-16	—	16¼-16	16	—	—	—	—	—
One year	15⅞-15¾	15¾-16	15⅝	16-15¾	15⅞	—	—	—	—	—
Two years	—	—	15⅞	—	—	—	—	—	—	—

Local authorities and finance seven days' notice others seven days fixed. Long-term local authority mortgage rates nominally three years 15⅝ per cent; four years 15⅝ per cent; five-years 15¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15½ per cent; four-month trade bills 15⅞ per cent.

Approximate selling rate for one-month Treasury bills 15⅛-15 3/16 per cent; two-months 15 3/16-15⅛ per cent; three-months 15⅛-15 3/16 per cent. Approximate selling rate for one-month bank bills 15 7/16 per cent; two-months 15⅜ per cent; and three-months 15 3/16-15 5/16 per cent; one-month trade bills 16 per cent; two-months 15 15/16 per cent; three-months 15 13/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from October 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16½ per cent. Treasury Bills: Average tender rate of discount 15.3449 per cent.

CURRENCY RATES

Oct. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.628925	0.592377
U.S. $	14	1.15502	1.08849
Canadian $	18.31	1.38914	1.30978
Austria Sch.	6¾	18.0992	17.0730
Belgian F.	13	43.4634	40.8348
Danish K.	11	8.30633	7.83715
D mark	7½	2.58436	2.43496
Guilder	9	2.85867	2.69021
French Fr.	9½	6.49814	6.10754
Lira	19	1374.47	1295.31
Yen	5½	266.463	251.769
Norwgn. Kr.	9	6.87237	6.46565
Spanish Pta.	8	110.535	103.461
Swedish Kr.	11	6.39188	6.02644
Swiss Fr.	6	2.16508	2.04473
Greek Dr'ch.	20½	—	61.4672

OFFSHORE & OVERSEAS-contd.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED

INSURANCE & PROPERTY

OFFSHORE & OVERSEAS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
22May	23N	Exch. 12¾pc 1981‡‡	99⅞	16.4	12.81	16.04
15Jul	15Ja	Treas. 8½pc '80-82‡‡	98⅛	8.6	8.66	16.48
15Aug	15F	Treasury 3pc '82‡‡	96⅝	9.7	3.10	13.78
16S	16Mar	Treasury 14pc '82‡‡	99½	10.8	14.07	15.26
15D	15Jun	Treas. Variable '82‡‡	99½	11.5	15.38	15.95
5Ja	5Jul	Treasury 8¼pc '82	95	1.6	8.65	15.80
22Mar	22S	Exch. 9¼pc 1982	94⅝	17.8	9.78	15.69
5Jul	5Ja	Exch. 8¾pc 1983	93⅞	1.6	9.32	14.31
21Aug	21F	Exch. 3pc 1983	89¾	15.7	3.34	11.42
17S	17Mar	Treasury 12pc 1983‡‡	96	11.8	12.50	15.25
24N	24May	Treas. Variable '83‡‡	98⅞	21.4	15.48	16.07
18Ja	18Jul	Treasury 9¾pc '83	91⅛	11.6	16.15	15.15
22May	22N	Exch. 13½pc '83	96⅝xd	15.4	14.01	15.67
12Jun	12D	Exch. 10pc 1983	90⅛	6.5	11.10	15.52
15Jul	15Ja	Funding 5½pc '82-84‡‡	84¼	8.6	6.53	13.86
20Aug	20F	Exch. 11¼pc 1984	90⅝	14.7	12.41	16.13
22N	22May	Exchequer 14pc 1984	96⅛xd	15.4	14.56	15.97
19D	19Jun	Exch. 3pc 1984	77¾	13.5	3.86	13.14
26Mar	26S	Treasury 12pc 1984	91⅜	20.8	13.13	15.74
22Aug	22F	Treasury 15pc 1985	97	16.7	15.46	16.18
22S	22Mar	Exch. 12pc Cnv. '85	89⅛	17.8	13.46	16.26
21N	21My	Treasury 3pc 1985	71⅞xd	14.4	4.17	13.10
15Jan	15Jul	Treasury 11½pc 1985	86¼	—	13.33	16.51
22May	22N	Exch. 12¼pc 1985	88¼xd	15.4	13.38	16.34
25Aug.	25F	Exch. 11¾pc '85	85¾	20.7	13.70	16.31
19N	19May	Treasury 3pc 1986	66¾xd	—	4.49	12.84
12D	12Jun	Treasury 12pc '86	85¾	6.5	13.99	16.48
10Ja	10Jul	Treasury 8½pc '84-86‡‡	79¼	3.6	10.73	14.72

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
22Jul	22Ja	Exch. 13¾pc 1987	94	15.6	14.60	15.77
1N	1May	Funding 6½pc '85-87‡‡	72¼xd	25.9	8.97	13.78

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

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Building Societies

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AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

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FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INSURANCE

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INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
	July	Marlborough 5p	37	1.5	0.33	1.6	1.3	(43.4)
Sept.	Dec.	Marler Estates	56	26.1	2.0	ϕ	5.2	ϕ
	—	McInerney 10p	23	29.6	Q2.36%	2.4	11.0	5.0
Mar.	Oct.	McKay Secs. 20p	110	28.8	2.7	1.8	3.5	22.8
May	Nov.	Mountleigh	80	28.9	3.5	ϕ	6.2	ϕ
April	Aug.	Mountview 5p	150	15.6	2.9	7.6	2.8	6.8
Jan.	July	Muckow (A. & J.)	83	19.5	3.88	1.9	6.8	(12.1)
	—	New Cavendish 5p.	340	—	—	—	—	—
July	Feb.	North Brit. Props.	144	1.5	†2.8	1.8	2.8	29.0
June	Jan	Peachey	127	18.5	4.0	2.3	4.5	14.2
	—	Pennine Com. 10p.	6	—	—	—	—	—
	—	Phoenix Mn. & Fn.	44	—	—	—	—	—
Jan.	July	Prop. Hldg. & Inv.	120	29.6	3.08	1.4	3.7	27.3
Jan.	Aug	Prop. Part'ship.	225	29.6	5.0	2.0	3.2	22.8
Jan.	July	Prop. & Rev.	142	1.6	3.0	1.6	3.0	30.3
Apr.	Oct.	Prop. Sec. Inv 50p	115	29.3	h1.44	1.9	1.8	(39.2)
January		Raglan Prop 1p	12	—	—	—	—	ϕ
May	Nov.	Regalian	37	474	—	—	—	7.1
April	Oct.	Regional Prop.	142	10.8	2.2	2.4	2.2	26.9
April	Oct.	Do. 'A'	136	10.8	2.2	2.4	2.3	25.7
September		Rosehaugh 10p.	255	28.7	2.1	ϕ	1.2	ϕ
Jan.	June	Rush & Tompkins	200	18.5	3.75	0.5	2.7	—
Jan.	July	Samuel Props.	95	18.5	†4.2	2.1	6.3	9.5
Aug.	Jan.	Scot. Metrop. 20p.	105	29.6	¶3.25	ϕ	5.0	ϕ
May	Oct.	Second City 10p.	57½	28.9	d2.22	2.5	5.5	8.6
Oct.	May	Slough Ests.	119	28.8	†2.76	2.0	3.3	(18.1)
June	Dec.	Do. 10% Conv. '90	£216	15.6	Q10%	22.2	f4.7	—
June	Dec.	Do. 8% Cnv. 91-94	£102	15.6	Q8%	5.5	f8.1	—
Apr.	Aug.	Stock Conversn.	320	28.8	4.0	3.4	1.8	19.9
	—	Sunr Props. SHK1	66	—	tQ48c	ϕ	6.8	ϕ
	—	Ilbans In. & Scs. £1	156	—	u5.18	1.2	4.7	(31.9)
	—	Do. 12pcCv.Pf. 75p	135	18.5	12%	—	9.5	—
December		Town Centre	96	13.10	h0.83	1.0	2.6	55.6
Apr.	Oct.	Town & City 10p	21	14.7	0.01	—	—	—
Apr.	Nov.	Trafford Park	125	28.9	7.25	ϕ	8.3	ϕ
April		Trust of Prop. 5p	15	2.3	0.27	1.1	2.5	50.5
	—	Trust Secs.	360	10.8	‡u7.88	4.5	4.3	—
Nov.	April	Utd. Real Prop.	455	25.9	6.0	0.8	1.9	93.8
Jan.	July	Warner Estate	280	18.5	6.5	1.1	3.3	37.9
Apr	Oct.	Warnford Inv. 20p	375	10.8	10.0	1.2	3.8	30.8
	May	Wereldhave DFL20	£23¼	6.5	‡Q6.8%	1.0	6.9	34.3
Mar	Oct.	W'stmn. & C'ty P	67xd	12.10	4.0	ϕ	8.5	ϕ
	March	W'minster P. 20p	23	9.2	d0.2	4.9	1.2	17.8
Mar.	June	Whittington Ests. 5p.	17½	8.12	—	—	—	—

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
	—	Acmex 50c	45	—	Q2.5c	—	3.5
	—	ACM 20c	24	—	—	—	—
	—	Argosy Gold NL 25c	9	—	—	—	—
	—	Bond Corp.	138	—	Q10c	2.3	4.5
Nov.	Apr.	Bougainville 1 Kina	73	7.3	‡Q25.4c	1.0	‡
	—	CRA 50c	195	16.3	Q19c	1.7	5.9
	—	Canada Northwest	11	—	—	—	—
	—	Carr Boyd 20c	16	—	—	—	—
	—	Central Pacific	48	—	—	—	—
	—	Cons. Gold Min. N.L. 50c	9	—	—	—	—
	—	Cultus Pacific N.L.	17	—	—	—	—
	—	Eagle Corp. 10c	30	—	—	—	—
	—	Endeavour 20c	26#	—	—	—	—
	June	G. M. Kalgoorlie 25c	485	5.79	Q32½c	ϕ	4.1
	—	Great Eastern	9	—	—	—	—
	—	Greenbushes Tin 50c	90	—	Q6c	1.9	4.1
Sept.	Feb.	Hampton Areas 10p	136	29.6	2.5	5.1	2.6
	—	Haoma Gold N.L.	38	—	—	—	—
	—	Intl. Mining	25	—	—	—	—
	—	Jimberlana (50cFP)	28	—	—	—	—
	—	Kalbara Min 20c	11	—	—	—	—
	—	Kitchener NL 25c	170	—	—	—	—
	—	Leichardt Expln.	18	—	—	—	—
	—	Meekatharra	380	—	—	—	—
	—	Metals Ex. 50c	45	14.9	¶Q3c	ϕ	4.0
	—	Metramar Mins. 20cts.	22	—	—	—	—
	—	Mid East Mins. NL	10½	—	—	—	—
Oct.	Apr.	M.I.M. Hldgs. 50c	224	15.2	Q15c	ϕ	4.2
	—	Minefields Expl. 25c.	9½	—	—	—	—
	—	Newmetal 20c	16	—	—	—	—
	—	Nickelore N.L.	44	—	—	—	—
June	Nov	North B. Hill 50c.	165	19.11	Q18c	ϕ	6.6
	—	Nth. Kalgurli	73	—	—	—	—
	—	Nth. Mining Corp.	176#	—	ϕ	—	—
	—	N. West Mining N.L.	26	—	ϕ	—	—
May	Nov.	Oakbridge 50c	117	27.10	Q6½c	ϕ	3.4
	—	Oilmin N. L.	100	—	—	—	—
	—	Pacific Copper	120	—	—	—	—
	—	Pancont'l 25c	144	—	—	—	—
	—	Paringa M&Ex. 5p	72	—	ϕ	—	—
Apr.	Oct.	Peko-Wallsend 50c.	380	12.5	Q15c	—	2.4
	—	Pelsart Res NL	18	—	—	—	—
	—	Seltrust A	64	—	—	—	—
	—	Southern Pacific	21	—	—	—	—
	—	Swan Resources 30c.	50	—	—	—	—
	—	Vulcan Mins 20c	75	—	—	—	—
	—	West Coast 25c	11	—	—	—	—
	—	Westn. Cont 50c	95	—	—	—	—
Oct.	May	Westn. Mining 50c.	276	23.9	Q14c	ϕ	3.1
	—	Westmex	14	—	—	—	—
	—	Whim Creek 20c	44	—	—	—	—
	—	York Resources	26	—	—	—	—

Tins

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Feb.	Apr.	Amal Nigeria 1p	8	5.80	‡6.0	—	—
Apr.	Nov.	Ayer Hitam $M1	210	16.3	‡Q20.5c	1.0	‡
Feb.	Aug.	Geevor	165	16.6	—	—	—
	—	Gold & Base 12½p	9	10.74	—	—	—
July	Jan.	Gopeng Cons.	475	1.5	‡30.0	1.8	‡
Dec.	Aug.	Hongkong	320	29.6	21.0	ϕ	9.4
July	Sept.	Idris 10p	155#	1.6	‡9.0	0.9	‡
June		Jantar 12½p	19	13.7	11.5	4.0	11.3
September		Kamunting $M0.50	63	28.6	Q27½c	0.6	0.0
Oct.	Apr.	Killinghall $M1	490	28.9	‡Q36.7c	ϕ	3.1
Jan.	May	Malay Dredging 10c	105	4.80	ϕhQ35c	0.9	8.4
	—	Pahang	32	27.11	‡0.63	0.8	‡
July	Jan.	Pengkalen 10p	105	1.5	3.5	0.6	4.8
June	Jan.	Petaling $M1	290	15.6	‡Q190c	1.4	‡
Oct.	Feb.	South Crofty 10p	24#	28.12	—	—	—
Jan.	Aug.	Sungei Besi $M1	195	28.8	Q310c	1.1	35.9
	—	Supreme Corp. $M1	90	9.74	gQ15½c	ϕ	3.9
Mar.	July	Tanjong 15p	100	15.6	3.5	3.7	5.0
Sept.	Mar.	Tongkah H. Tin $M1	60	21.5	Q23%	0.4	7.7
Oct.	June	Tronoh $M1	230	28.5	‡Q110c	1.2	‡

Copper

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
January	Messina R0.50	350	29.6	†Q45c	4.7	7.4

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
	—	Anglo-Dominion	37	—	—	—	—
	May	Burma Mines 10p	13	30.3	0.75	0.9	8.2
	—	Colby Res. Corp.	155	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	290	30.6	†Q30c	1.8	5.9
—		††Exploura Gold	9½	—	—	—	—
	—	††Hemerdon 10c.	62	—	—	—	—
	—	Highwood Res.	100	—	—	—	—
	—	Northgate C$1	300	9.77	—	—	—
Jan.	July	R.T.Z.	475	13.5	16.0	2.3	4.9
	—	Do. 9¼%Cn.Un.Ln.'95-2000	£107	16.5	Q9½%	—	f9.1
	—	††SPO Minerals 10p	26	—	—	—	—
	—	Sabina Inds. C$1	24	—	—	—	—
	—	††S'west Cons. 10p.	25	—	—	—	—
	—	Tara Exptn. $1	565	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

				IRISH		
Albany Inv. 20p	41	......		Conv. 9% '80/82	£92	......
Bertrams	8	......		Nat. 9¾% 84/89	£68⅝	......
Bdg'wtr. Est. 50p	405	......		Fin. 13% 97/02	£72¼	......
Craig & Rose £1	£13	......		Alliance Gas	55	......
Finlay Pkg. 5p	21½	......		Arnott	212	......
Graig Ship. £1	£20	......		Carroll (P.J.)	77	+2
Higsons Brew	63	......		Concrete Prods.	98	......
Holt (Jos) 25p	505	−5		Heiton (Hldgs.)	23	−3
I.O.M. Stm. £1	150	......		Irish Ropes	41	......
Pearce (C. H.)	780	−20		Jacob	65	......
Peel Hldgs.	105	......		T.M.G.	16	+1
Sheff. Refrshmt	90	......		Unidare	60	......
Sindall (Wm.)	190	......				

OPTIONS

3-month Call Rates

Industrials					
		House of Fraser	24	Utd. Drapery	6½
A. Brew	6½	I.C.I.	18	Vickers	18
BOC Intl.	11	"Imps"	5	Woolworths	5
B.S.R.	7	I.C.L.	4		
Babcock	9	Ladbroke	13	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	7
Beecham	17	Lex Service	10	Cap. Counties	11
Blue Circle	35	Lloyds Bank	28	Land Secs.	30
Boots	18	"Lofs"	3½	MEPC	20
Bowaters	19	London Brick	7	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	28	"Mams"	11	Town & City	2¼
Brown (J.)	8	Mrks. & Spncr	10		
Burton Ord.	12	Midland Bank	26	**Oils**	
Cadburys	8	N.E.I.	8	Brit. Petroleum	28
Courtaulds	5½	Nat. West. Bank	30	Burmah Oil	11
Debenhams	7	P & O Dfd.	10	Charterhall	6
Distillers	17	Plessey	36	KCA	12
Dunlop	7½	Racal Elect.	34	Premier	6
Eagle Star	25	R.H.M.	5	Shell	28
F.N.F.C.	3½	Rank Org. Ord.	18	Tricentrol	25
Gen. Accident	30	Reed Intnl.	25	Ultramar	48
Gen. Electric	55	Sears	5		
Glaxo	28	Tesco	5½	**Mines**	
Grand Met.	16	Thorn EMI	50	Charter Cons.	21
G.U.S. 'A'	44	Trust Houses	15	Cons. Gold	40
Guardian	30	Tube Invest.	28	Lonrho	7
G.K.N.	12	Turner & Newall	10	Rio T. Zinc	45
Hawker Sidd	25	Unilever	50		

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FINANCIAL TIMES

Monday October 19 1981

Crucial phase for Thatcher

BY MARGARET VAN HATTEM

THE PRIME MINISTER's struggle to retain control over her increasingly rebellious Cabinet enters a crucial phase this week as Parliament resumes sittings and the Cabinet begins its annual review of public spending.

Senior Ministers disenchanted with the Government's economic strategy will try to keep up the momentum generated at last week's Conservative Party conference, where in terms understood by all except perhaps the rank and file they declared their growing lack of confidence in Mrs Margaret Thatcher's present course.

Two events this week are likely to help them step up the pressure in the short term.

First, the October unemployment figures to be announced on Tuesday are expected, for the first time, to be over 3m.

Secondly, the Government is expected to lose the Croydon North-West seat in Thursday's by-election.

Fulfilment of expectations on both these counts would be taken as an indictment of Mrs Thatcher's leadership far more significant than the enthusiastic but predictable support of conference delegates.

In the longer term the battle to turn the Government round this autumn will focus on the public spending review, where attempts by Treasury Ministers to confine their Cabinet colleagues to a strictly limited set of alternatives are likely to meet strong resistance.

Until last week, resistance in the Cabinet was associated mainly with Lord Carrington, Foreign Secretary, Mr James Prior, Northern Ireland Secretary, Mr Peter Walker, Agriculture Secretary, and somewhat more equivocally Mr Francis Pym, Leader of the Commons.

Since the conference Mr Pym and Mr Michael Heseltine, Environment Secretary, appear unequivocally to have joined this group, and the position of a number of senior Ministers, including Mr William Whitelaw, Home Secretary; Mr Michael Jopling, Chief Whip; Mr Patrick Jenkin, Industry Secretary; and Mr John Biffen, Trade Secretary is becoming increasingly ambiguous.

Mounting opposition on the backbenches is likely to become increasingly outspoken, especially among MPs with uncomfortably small majorities, if the Government receives a humiliating defeat at Croydon.

There is talk of signals to the Prime Minister in the form of elections to backbench committees, votes on minor legislation, and above all in moves to find a candidate to oppose her for the party leadership.

The purpose of such a contest would be not to remove Mrs Thatcher, but to allow MPs to register a carefully calculated degree of discontent.

Robin Reeves writes: Welsh Liberals and Social Democrats have agreed to fight between them all 36 Welsh Parliamentary seats at the next General Election.

A 12-member Liberal-SDP steering group, meeting in Llandrindod Wells, Powys, at the weekend to consolidate the alliance, agreed on "broad parity" in number of candidates fielded for the whole of Wales, and in the various regions of Wales.

Trouble for Foot on Benn's role

By Elinor Goodman,
Lobby Correspondent

MR MICHAEL FOOT, the Labour leader, is facing strong opposition to his ideas for accommodating Mr Tony Benn, from Labour right-wingers and moderate trade unionists on the party's National Executive Committee.

A group of unionists on the executive is believed to have told Mr Foot that they are not prepared to see Mr Benn retain his chairmanship of the party's influential home policy committee, and that Mr Eric Heffer, once Mr Benn's strongest ally on the executive, should be moved from the chairmanship of the committee responsible for party organisation.

The Right-wing has so far failed to find a candidate for Mr Benn's job who can get enough votes from the Tribunite Left-wingers who now hold the balance on the executive, but their opposition to Mr Benn is indicative of the problems Mr Foot faces in trying to get acceptance for his view that Mr Benn has a positive role to play.

The drive for unity within the Labour Party is probably stronger now than at any time since Mr Foot became leader. But some on both the Right and the Left are determined to have their revenge and some of Mr Benn's supporters are now saying that even if he does not stand for the deputy leadership next year, another Left-winger should.

Some of Mr Benn's supporters seem set to use a meeting of the Tribune group tonight to vent their fury on those members who either abstained in the second round of the deputy leadership contest or who voted for Mr Healey. They may also oppose the election of Mr Norman Buchan as the group's vice-chairman on the ground that he abstained.

So far two of the Left-wingers whom the Right had approached to stand for Mr Benn's job—Neil Kinnock and Dame Judith Hart—have indicated that they are not prepared to stand. It is not clear whether Mr Sam McCluskie is prepared to stand against Mr Heffer.

Some right-wingers are saying that Mr Foot's attitude on this issue could determine whether they go along with his wish to get Mr Benn elected to the Shadow Cabinet this autumn. Mr Benn, who will this week attend his first Shadow Cabinet meeting since his showdown with Mr Foot last April, has still not decided finally whether to stand for electior

THE LEX COLUMN

An end to the trade gap

Whether ignorance is, or is not, bliss could become clear tomorrow when, after a gap of six months, the trade figures make their reappearance. They vanished, of course, as a result of the civil service dispute, and even after the publication of the September figure tomorrow afternoon a big gap will remain in the record since the last figures appeared in respect of February. It will be a while yet before the statistical backlog has been cleared.

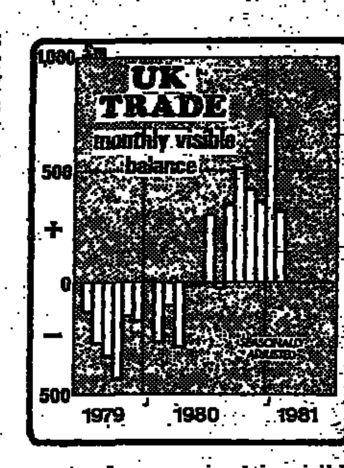
Do the figures matter? As far as the financial markets are concerned, the trade returns are price-sensitive only when they are bad. A few years ago the monthly announcement would be eagerly awaited by the gilt-edged market for its clue to the pressure on sterling and therefore to interest rate policy. But last year's swing into huge monthly surplus freed the Government to follow other priorities and the trade figures were *brushed aside by* the markets.

When last heard of, the visibe trade figures were on the crest of a remarkable wave. In January and February, taken together, the surplus was over £1bn and the invisible surplus was also very high for the first quarter at £1.3bn. That pointed to an overall current account surplus for the first quarter of the order of £3bn.

Most economists, however, have been expecting a sharp deterioration in this picture during the rest of 1981. Import volume is likely to recover sharply as destocking tails off. Export deliveries will be depressed, after a time lag by the loss of competitiveness suffered by British industry when sterling was high, and by the weakness of many overseas markets. And it is known that the surplus on invisibles fell back to £0.4bn in the second quarter.

Since early in the year sterling has weakened significantly, first against the dollar and more recently against the main Continental currencies. That is prima facie evidence for some worsening of the current account, though of course capital outflows may well have been much more influential.

Brokers Wood Mackenzie have done some sleuthing amongst the trade statistics of other countries — they have found nine which publish figures for trade with the UK —and have made an attempt to reconstruct the missing data. Coverage is only about 50 per cent, and less for July and August, but is enough to allow the brokers to suggest that the



country has remained in visible surplus, albeit at a significantly lower rate than at the start of the year. Imports from Europe have gone up sharply, but exports to the U.S. have been strong.

Certainly the gilt-edged market is expecting that the September figures *will show* a modest visible surplus — say of the order of £100m. A deficit would therefore come as an unpleasant surprise — although it has to be recognised that the monthly figure is liable to large random fluctuations and the true trend will not emerge for some time yet. Meanwhile the key point is that the more depressed the UK economy remains, and the more persistent is the destocking phenomenon, the better the trade figures are likely to look.

Leasing

The Accounting Standards Committee sounded fairly confident on Friday that its proposed new standard on leasing would be accepted with less than fanatical opposition. But this draft has not been in gestation for six years for purely academic reasons. The sting is in the requirement for lessees to capitalise leased assets in their balance sheets, along with a balancing liability for rental payments. This would inevitably impose an upward twist to disclosed debt/equity gearing ratios in the company sector, a change which even the suggested transitionary period of three years will do little to render palatable. Of course, the standard will do nothing to change reality. It will simply force the disclosure of liabilities which are already there.

The book net value of assets leased by members of the Equipment Leasing Association is currently of the order of £5½bn, of which perhaps £4bn is being used by the commercial and industrial sector. So, very crudely, using the Phillips and Drew estimates, this suggests that total borrowings may go up on average from about 40 per cent to 50 per cent of shareholders' funds.

The published balance sheet of the least profitable companies are likely to be the worst hit, since their lack of taxable capacity has encouraged a greater reliance on leasing than direct capital investment.

If the draft goes through, the pressure to avoid capitalising leased assets may in some cases be considerable. And it would not be surprising, in such an innovative market, to see the development of new forms of leasing that get round the problem.

Japan

The Tokyo stock market continues to defy the sound fundamentals of the Japanese economy. The Nikkei-Dow average shed 4.6 per cent in three days last week, leaving it dangerously close to the level reached after the late September crash. It now stands roughly 10 per cent below the record high of 8,019, struck only two months ago.

The September fall could be traced fairly directly to shake-outs in other stock markets but, even though London and New York looked jittery last week, the latest decline was overwhelmingly a domestic phenomenon.

At the heart of the problem was a continuing rise in margin debt. The amount of stock bought on margin by Japanese investors totalled Y1,800bn on October 10, roughly 2 per cent of Tokyo's market capitalisation. Some securities analysts fear that the figure for last week could be even higher.

Sharp falls like that witnessed at the end of September normally produce a rapid liquidation of these long positions. This time they have actually risen slightly. Private investors have presumably been hoping that non-residents, who were net sellers of a record Y158.7bn of stock last month, would start buying again.

Some Japanese holders have been obliged to sell in order to meet collateral requirements which cannot be relaxed any further without breaking Ministry of Finance guidelines. In a very thin market last week, that was enough to send prices sharply lower. The blue chip shares which performed so strongly last year were the heaviest sufferers. So with such a high level of margin debt still hanging over the market, fundamentals may be ignored for a while longer.

Dixons complains of 'scare tactics'

By Jason Crisp

DIXONS PHOTOGRAPHIC, the photographic and electronics retailer, has accused British Telecom of using scare tactics and obstructing the liberalisation of the telephone monopoly lifted in the British Telecommunications Act this summer.

The company, which has 240 outlets, will announce this week that it will sell a range of five "computer" telephones made in Hong Kong, with facilities such as abbreviated dialling for regularly called numbers and a memory for the last number called.

The telephones, costing from £30 to £100, will not have British Telecom approval, which means it will be illegal to use them on the public network.

Mr Mark Souhami, managing director of Dixons, said: "We always buy British whenever we can, but no British manufacturer will talk to us. This is another example of official policy blocking the opportunities created by the new Act."

Dixons, which will launch its phones on Friday, believes that the British manufacturers are reluctant to upset British Telecom, their major customer, by supplying competitive equipment.

The British Telecommunications Act, passed this summer, allows companies licensed by the Department of Industry to vidingtheymeetcertaintech-
sell telephone attachments providing they meet certain technical standards.

The British Standards Institute has been asked to set the technical standards for the apparatus and the British Electro - Technical Approvals Board will test it to see if it meets the standard.

But the BSI, which has five committees to formulate standards, is unlikely to produce any standards until next spring. Until then, approval of equipment which can be connected to the telephone network remains

Several small manufacturers and importers have complained bitterly that British Telecom has been taking advantage of the delay in setting technical standards. British Telecom has been sending warnings with bills and advertisements explain the penalties for using unapproved equipment on the public network.

More than 250,000 illicit telephones are believed to have been sold in Britain through outlets ranging from Harrods, the London department store, to small specialist shops.

Dixons, which submitted its telephone to British Telecom for approval, compares the situation with Citizens' Band radio, where there are so many illegal sets being used that the law is virtually unenforceable.

British Telecom to market U.S. electronic 'automated office'

BY ALAN CANE

BRITISH TELECOM has linked with a U.S. computer bureau to market advanced "automated office" services, including electronic mail and files management, throughout the world outside North America.

The move takes British Telecom into a highly competitive and fast-growing market. The services will be available in the UK using U.S. technology licensed by British Telecom, from January.

The state-owned telecommunications group's partner in what is thought to be the first deal of its kind is Dialcom, a small computer bureau which had a turnover last year of \$6m (£3.3m).

The technology involved will provide companies with the facilities to send messages electronically from one office to another, inland or overseas, to file and manage documents, and maintain and update executive diaries.

Dialcom, which will maintain its own marketing operation in the U.S. and Canada, is believed to have about 30 per cent of the total market for electronic mail services in the U.S. Its customers include Westinghouse, Citibank and Bethlehem Steel.

It was chosen as Telecom's electronic office associate after an exhaustive six month evaluation by consultants Joan de Smith and Partners.

The Dialcom package is believed to have been rated significantly higher than the chief competition, also from U.S. companies: Comet from Computer Corporation of America (marketed in the UK by British Leyland Systems) and GTE's Telemail.

Heading the new operation will be Mr John Morris, business development manager in Telecom's systems marketing executive.

The service will run on U.S.-made Prime minicomputers based in the London area.

Telecom already offers an electronic message service through Prestel, its viewdata service. The new service, Mr Morris said, would be complementary. "The Prestel service is suited to short memoranda; the Dialcom package offers a vastly more sophisticated range of services."

These include a "priority" facility for urgent messages. If the company is a subscriber to radio paging, the system will automatically bleep the intending recipient warning them to inspect the contents of their electronic mail box. Next year, the system will be linked to the telex network.

It will also correct spellings automatically. The U.S. dictionary on the Dialcom system is currently being converted to Queen's English.

Telecom has yet to decide on charges for the service, but Mr Gordon Pocock, the group's senior marketing director, said it would be "aggressive."

The announcement of the new service coincides with the start of the International Business Show which opens tomorrow in Birmingham. A variety of automated office systems will be on show all of which could be seen as competition for the Telecom Dialcom service.

Mr Pocock said: "We foresee rapid expansion of this service and will price it accordingly. It will be highly competitive, simple and based on usage."

Telecom's marketing approach will be based on the fact that most companies are nervous of the commitment in time and money needed to set up office automation.

Mr Robert Ryan, president of Dialcom, said: "It is better for a company to experiment with and build up office automation using a bureau. When the economics dictate going it alone, we would be prepared to sublicence the technology to individual companies."

Joint bid to build U.S. trainer jet

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE, which has 40 per cent of the U.S. AV-8B Advanced Harrier jump-jet fighter programme worth \$1.4bn (£765m), is bidding for a share of another major U.S. military aircraft venture, the VTX-TS programme.

This is a plan to provide the U.S. armed forces with more than 1,000 training aircraft, costing over \$6bn.

The U.S. Navy will require 466 aircraft, and the U.S. Air Force 590. But sales to other countries could result in orders for at least another 600 aircraft.

To bid for this deal, British Aerospace has joined once again with its Harrier partner, McDonnell Douglas of the U.S. They have made a joint submission to the Pentagon based on the British Hawk trainer which is already in service with the Royal Air Force and overseas countries.

Competition for the U.S. order is tough, however, with four other big groups involved.

Grumman, a major builder of fighters, has joined with Beech, a major builder of light civil aircraft. Lockheed has joined with a consortium comprising Dassault of France and Dornier of West Germany which builds the Alpha-Jet in service with the French and West German airforces.

Northrop has linked with its fellow U.S. group, LTV. Both have long experience of military aircraft production. Another major military aircraft builder, Rockwell, which is building the B-1 supersonic bomber, is also in the fight.

The U.S. Government is expected next month to whittle these groups down to two. Those will then be expected to submit more detailed proposals, and to respond to an intensive U.S. Navy and Air Force programme designed to extract from their submissions the most cost-effective solution to the armed forces' future training programme.

Because British Aerospace and McDonnell Douglas can already show a fully operational aircraft in the Hawk trainer, they have strong hopes of becoming one of the semi-finalists in the contest.

The U.S. armed forces are believed to be much more interested *in* an off-the-shelf aircraft because this would be cheaper than starting from scratch on a new design. For this reason, it is believed that British Aerospace and McDonnell Douglas will find themselves in the final run-off against the combination of Lockheed and Dassault/Dornier with the Alfa-Jet.

The semi-final stage is expected to last about two years. During this time the contestants will have to put their aircraft through a long series of severe tests to meet exacting U.S. requirements.

The winner will be selected in October 1983, and will be awarded a "full scale development contract" with production aircraft expected in service by March 1987.

Despite budgetary constraints in the U.S., which have threatened the number of projected new military programmes, British Aerospace and McDonnell Douglas are confident that the VTX-TS programme will go ahead.

More than 170 Hawks have been bought by the Royal Air Force. Another 50 are in production for Finland.

Under U.S. military procurement rules it will be essential for the winning aircraft to be built substantially in the U.S. Should the Hawk be chosen, McDonnell Douglas would build 60 per cent of the aircraft. British Aerospace would build the rest.

Continued from Page 1

Russian gold

far this year between 100 and 150 tonnes or more.

More than half this appears to have been sold in the past two months. Some dealers forecast that Soviet sales for the whole of 1981 may approach 200 tonnes, more than double last year's total of about 80 tonnes, when the Soviet Union held back production from the market in the hope that prices would go up further.

The Kremlin has ordered higher sales in the last few months because of declining foreign exchange reserves.

These have been depleted by grain imports because of the disastrous 1981 harvest: aid to Poland; and lower prices for oil exports.

Some Western banks may also be less willing to advance credits, in view of the general disarray in Comecon economies.

South Africa, the world's largest gold producer, has faced the need to sell more this year because of deteriorating finances. The Reserve Bank in Pretoria has just announced that the foreign exchange reserves have fallen to the lowest for seven years.

Bankers expect that South Africa may soon draw on credit lines with Western banks to raise money under "gold swaps," under which it effectively exchanges part of its gold holdings for currency loans over a fixed period.

South Africa has repeatedly said it is prepared to carry out such swaps, last activated in the mid-1979s, to supplement other borrowings needed to finance this year's current-account deficit.

Higher Russian sales are cited by dealers as one important reason why gold has not risen more since the price hit a 21-month low in August of about \$390 an ounce. In spite of lower U.S. interest rates and rising Middle East tension, the bullion price is still just below \$450 an ounce, more than \$400 below the peak of January 1980.

Continued from Page 1

Treasury plan

current cuts will be hard to achieve; and

● Increased charges for the Health Service, covering spectacles, prescriptions and dental work.

All these ideas are controversial. Aside from Cabinet disagreements the Government would undoubtedly face strong backbench opposition to cuts in the real value of social security benefits.

The likely time-table is that, after a preliminary discussion tomorrow, there will be a series of further Cabinet meetings leading to an announcement by Sir Geoffrey Howe, the Chancellor, in late November. The statement will also include the Treasury's short-term economic forecasts.

The £6.5bn excess of public spending above desired levels reflects a combination of factors. Some represent Government commitments to additional employment schemes and to higher capital investment by particular state industries. This represents, however, apparently less than a fifth of the total.

About one-third consists of projected higher borrowing by nationalised industries, for investment and to meet both the shortfall of revenue, caused by the recession, and higher wages.

Part of the rest consists of revised estimates of the cost of some programmes, notably defence equipment and roads, over and above the inflation adjustment provided by the Treasury. A variety of new schemes has also been proposed.

Relatively little of the excess is directly caused by the recession, because the economy has moved more or less as assumed in the medium-term strategy last March.

Unemployment next year, however, could be slightly higher than previously expected. The Treasury may now have been forced to take a gloomier view of interest rates in its debt-interest projections.

Weather

UK TODAY

RAIN and showers generally. Clearer weather may reach all but Southern districts later.

London, Southern England and Channel Islands
Bright intervals at first, but cloudy with rain later. Max. 14C (55F).

Rest of England and Wales
Cloudy with outbreaks of rain, becoming clearer later. Max. 13C (55F).

Scotland and N. Ireland
Sunny intervals and showers. Max. 10C (50F).

Outlook: Showers, heavy at times, and sunny intervals. Wintry over high ground.

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Lisbon	F	21	70
Algiers	F	27	81	Locarno	F	18	64
Amsdm.	C	8	46	London	S	11	52
Athens	S	27	81	L. Ang.†	F	14	57
Bahrain	S	29	84	Luxmbg.	C	13	55
Barclna.	F	24	75	Madrid	F	21	70
Beirut	S	27	81	Majorca	S	27	81
Belfast	C	8	46	Malaga	C	22	72
Belgrd.	S	23	73	Malta	C	24	75
Berlin	C	6	43	M'chstr	S	9	48
Biarritz	C	15	59	Melbne.	S	20	68
Bmghm.	S	11	52	Miami†	F	21	70
Blackpl.	S	9	48	Milan	F	16	61
Bordx.	C	17	63	Montrl.†	S	10	50
Boulgn.	C	11	52	Moscow	C	5	41
Bristol	R	12	54	Munich	S	21	70
Brussels	R	12	54	Nairobi	C	27	81
Budpst.	S	15	59	Naples	S	26	79
Cairo	F	21	70	Nwcstl.	F	10	50
Cardiff	F	12	54	N York†	F	12	54
Cas'b'ca	F	26	79	Nice	S	23	73
Cape T.	S	26	79	Nicosia	S	29	84
Chicg.†	C	8	46	Oporto	R	18	64
Cologne	C	15	59	Oslo	S	5	41
Cpnhgn.	C	9	48	Paris	C	14	57
Corfu	S	27	81	Perth	F	17	63
Denver†	C	12	54	Prague	F	13	55
Dubin	F	10	50	Rykjvk.	C	3	37
Dbrvnk.	S	24	75	Rhodes	S	25	77
Ednbgh.	F	9	48	Rio J'o†	C	21	70
Faro	F	25	77	Rome	S	24	70
Florence	S	22	72	Salzbrg.	F	21	70
Frankft.	C	11	52	S'cisco†	F	11	52
Funchal	C	22	72	Stckhm.	S	6	43
Geneva	C	19	66	Strasbg.	C	19	66
Gibrltr.	F	21	70	Sydney	R	16	61
Gl'sg'w	C	9	48	Tangier	F	28	82
G'nsey	C	10	50	Tel Aviv	S	28	82
Helsinki	C	3	37	Tenerife	C	24	75
H. Kong	S	30	86	Tokyo	C	22	72
Innsbrk.	S	18	64	T'r'nto†	S	11	52
Invrnss.	C	10	50	Tunis	S	28	82
I.o.Man	F	11	52	Valencia	C	25	77
Istanbul	S	21	70	Venice	F	14	57
Jersey	C	11	52	Vienna	C	11	52
Jo'burg	C	18	64	Warsaw	R	6	43
L. Plms.	F	24	75	Zurich	F	19	66

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.
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